

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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D 8523 A

Disarmament accord threatened by French divisions, Page 16

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## World news Business summary

### Barbie in court walk-out protest

Klaus Barbie walked out of the French courtroom where he is being tried for crimes against humanity, and demanded to be taken back to his prison.

The former Gestapo officer claimed he was a Bolivian citizen who had been kidnapped and was now illegally held in France.

Barbie's statement caused upheaval in the court, and Judge Andre Cordini suspended the hearings, in their third day. Hearings resumed later in the day without Barbie.

### Arrests in Punjab

Security forces in Punjab arrested 175 militant Sikhs including a state cabinet minister after New Delhi imposed direct rule on the North Indian state.

### Autonomy law plan

The Sri Lankan Government plans to pass a law giving limited provincial autonomy to minority Tamils to prove its sincerity in implementing a political solution to the four-year-old Tamil rebellion. Finance and Planning Minister Rommie de Mel said.

### Iceland talks fail

Progressive Party leader Steingunnur Hermannsson gave up his attempt to form a coalition Government in Iceland.

### Iraqi 'air raids'

Iraqi jets struck industrial targets in Baghdad and Tikrit in their latest penetration raids into Iran for several weeks, the Iranian news agency has reported.

### Aircraft downed

Rebels in southern Sudan said their guerrilla forces shot down a Sudanese air force Hercules transport aircraft carrying two platoons of troops near the south-western town of Wau on Tuesday.

### Forest fire rages

A week-old forest fire which has killed 182 people in north-east China and caused losses of at least 100 million yuan (\$170m) might continue for another three to five days, national radio said.

### Chemical weapon use

A United Nations panel of experts has once more unanimously determined that Iraq employed chemical weapons in its war with Iran in what its report calls "one of the gravest infringements of international norms."

### Star Wars tests

A US study shows the 1972 Antiballistic Missile treaty does not bar testing of Star Wars components, President Reagan said.

### Seoul police swoop

Violence erupted on a Seoul campus again with more than 1,000 students battling riot police who had arrested 38 students for staging a protest against President Chun Doo Hwan's Government.

### Kenya police move

Kenya, under US criticism for alleged human rights abuses, has begun a clean-up of its entire police force to stop cases of police torture, Foreign Minister Elijah Mwangi said.

### Tribal kidnapping

Tribal separatist guerrillas in the north-eastern Indian state of Tripura kidnapped a state assembly member and said he would be tried for crimes against tribesmen.

### Soviet shuttle soon

The Soviet Union is to launch its first space shuttle soon, Tass news agency said.

### European group may cut 18,000 jobs

NEW EUROPEAN semiconductor company formed through merger of units of SGS of Italy and Thomson of France may have to cut workforce by 18,000, or 18 per cent.

Group managing director Pasquale Pistorio said number of jobs lost would depend on the speed with which the joint company expanded.

### Wall Street: Dow Jones

WALL STREET: The Dow Jones industrial average closed 1.06 up at 2,328.69.

### LONDON: Early demand for blue chips

LONDON: Early demand for blue chips buoyed equities although gains were not extended later. Gifts opened firm but eased slightly before the close. The FT-SE 100 index added 20.1 to hit a new peak of 2,184.4. The FT Ordinary index closed 10.1 up at 1,860.5.

### TOKYO: A Finance Ministry request for restraint in foreign exchange

TOKYO: A Finance Ministry request for restraint in foreign exchange dealing surprised the market and spurred a drop in prices. The Nikkei average fell 172.86 to 24,383.19.

### DOLLAR closed in New York

DOLLAR closed in New York at DM 1.7945; Sfr 1.4755; FF 5.9880; and ¥140.35. It rose in London to DM 1.7900 (DM 1.7880); to Sfr 1.4710 (Sfr 1.4670); to ¥138.70 (¥138.50); but fell to FF 5.9700 (FF 5.9750).

### STERLING closed in New York

STERLING closed in New York at \$1.6695. It rose in London to \$1.6715 (\$1.6700); to DM 2.9825 (DM 2.9850); to FF 9.98 (FF 9.9775); to Sfr 2.48 (Sfr 2.45); and to ¥233.50 (¥233.00).

### GOLD fell \$0.25 on the London bullion market

GOLD fell \$0.25 on the London bullion market to close at \$481.25. It remained unchanged in Zurich at \$480.50. In New York the June Comex settlement was \$480.00.

### LEGISLATION approved by the Lebanese Government

LEGISLATION approved by the Lebanese Government will end the Lebanon process by which stocks and bonds have to be transferred physically from a seller to a buyer's bank each time a transaction occurs.

### DANZAS, the world's leading international forwarding agent

DANZAS, the world's leading international forwarding agent, announced a drop in group turnover for 1986 from Sfr 5.8bn to Sfr 5.6bn (\$3.8bn).

### PREUSSAG, the West German metals and mining group

PREUSSAG, the West German metals and mining group, will not pay a dividend for 1986 after another year of difficult trading.

### GIANT Group, a small US west coast investor group

GIANT Group, a small US west coast investor group led by Mr Burt Sugarman, a Hollywood producer, has acquired a 6.3 per cent stake in Clark Equipment, the world's biggest forklift truck manufacturer.

### BANQUE Brussels Lambert, the second-largest of Belgium's commercial banks

BANQUE Brussels Lambert, the second-largest of Belgium's commercial banks, said its gross operating profit soared 40 per cent in the half year ending March 31.

### HAVAS, the French state-owned advertising and tourist group

HAVAS, the French state-owned advertising and tourist group, will be the next company on the Government's privatisation list.

### AMOCO, the US oil group

AMOCO, the US oil group, has moved closer to its \$35.1bn (US\$3.5bn) takeover of Dome Petroleum.

### MIDLAND Bank of the UK

MIDLAND Bank of the UK has won preliminary approval from Brazil's central bank for the formation of Midbank Banco do Investimento, a joint venture investment bank with two Brazilian partners.

### BAYER, the West German chemical group

BAYER, the West German chemical group, said it was optimistic about maintaining results at last year's high level after a slight profit rise in the first quarter. It expects a tougher year, however.

### ALCAN Aluminium is going ahead with construction of the 200,000 tonnes yearly Laterrière smelter

ALCAN Aluminium is going ahead with construction of the 200,000 tonnes yearly Laterrière smelter north of Quebec City, but in three phases in order to preserve maximum flexibility.

## OECD ministers pledge to cut farm subsidies

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN PARIS

GOVERNMENTS of industrial nations gave a broad commitment yesterday to accelerate the process of dismantling farm subsidies and of liberalising farm trade.

In a communiqué released after two days of ministerial talks at the Organisation for Economic Co-operation and Development (OECD), the 24 member governments said they were pledged to "a progressive reduction of assistance to and protection of agriculture" across all countries and commodities.

The agreement came as West Germany indicated for the first time in wider discussions on the international economy that it might be prepared to take further action this year to stimulate its economy if its growth rate continued to falter.

The accord on agriculture which was hailed by the US as a major breakthrough and by the European Community as an important step forward, aims to give political impetus to the current talks in the Uruguay round of the General Agreement on Tariffs and Trade (GATT).

Mr James Baker, US Treasury Secretary, described it as "a major step forward towards multilateral agreements on agricultural reform." Mr Alan Clark, Britain's Trade Minister, termed it "a significant advance."

There were clear indications during the two days of talks, however, that translating the pledges into action during the Uruguay round was likely to prove tortuous and protracted. West Germany, which in

current European Community farm price talks is vigorously opposing any reduction in cereals prices, stuck to its position that attempts to dismantle subsidies could not include nominal price cuts for its farmers.

Mr Mitsuki Kato, Japan's Agriculture Minister, made it clear that his Government remained concerned about increasing the country's reliance on imported food.

In those circumstances, efforts to liberalise agriculture had to be seen in a medium to long-term perspective.

A new OECD system of measuring the relative levels of subsidy in different nations also received only qualified approval. The system involves the calculation of so-called Producer Subsidy Equivalents and Consumer Subsidy Equivalents which equate farm support programmes to the value of output.

Calculations presented to ministers yesterday indicate that in 1985 Japanese subsidies represented about 70 per cent of the value of output of key agricultural commodities.

The comparable figure for the European Community was 40 per cent and for the US 20 per cent.

A ministerial commitment in the communiqué to roll back protectionism in other areas also had some of its gloss removed by a series of

Continued on Page 16

## Japan urges restraints on currency speculation

BY IAN RODGER IN TOKYO

THE JAPANESE Ministry of Finance called in the chief executives of more than 20 leading Japanese banks, 10 securities companies and 10 life and casualty insurance companies yesterday morning to ask them to instruct their foreign exchange dealers "to refrain from speculative foreign exchange transactions."

Separately, the ministry also talked to 15 foreign banks operating in Tokyo.

In the wake of the extraordinary and highly publicised arm-twisting exercise aimed at preventing a further fall in the value of the dollar, the dollar strengthened slightly in Tokyo.

Separately, the ministry of international trade and industry called in chief executives of the leading trading and manufacturing companies to convey the same message.

For many of these companies, speculative trading in currencies and other instruments has become a major source of profits in the past year.

### Finance Ministry officials said

There was no question of forcing institutional investors to refrain from speculative trading. However, the Japanese sense of duty is such that a highly publicised appeal of this kind is most unlikely to be ignored.

Foreign exchange dealers said later in the day they felt very inhibited about selling dollars. Some predicted that the arm-twisting could

US semiconductor manufacturers have agreed to set up a research co-operative in a bid to regain the lead in chip technology.

The project, Sematech, is expected to cost \$5bn over six years, and the industry expects the Government to contribute half of that.

The Government was committed to the liberalisation of Japanese financial markets and the internationalisation of the yen.

"But in order to keep the market as free as possible, the judgment of the market participants is very important, especially when market turbulence is having such a mischievous effect on the economy," said Mr Makoto Utsui, director-

Continued on Page 16

## Australia unveils biggest public spending cuts for 30 years

BY CHRIS SHERWELL IN CANBERRA

MR PAUL KEATING, Australia's cabinet treasurer, unveiled a catalogue of swinging spending cuts and an array of cuts covering defence, health and welfare spending.

Another \$1.1bn or more will come in proceeds from the sale of government assets, which will be used to reduce government debt. The removal of certain tax exemptions for government agencies will bring in a further \$1.1bn.

The measures are designed to try to put Australia's floundering economy back on course. They entail an estimated real reduction of 2 per cent in Government spending, the highest in 30 years, and appear to meet some of the tough demands of the business community and financial markets.

Mr Keating said in his statement to parliament and the nation that his mini-budget marked the culmination of the most intensive and exhaustive review of government programmes in living memory. For three months Australia's "Barron Gang" of ministers has been scrutinising departmental budgets in the hunt for cuts.

Some \$2.54bn of these cuts will come through a \$1.1bn reduction in federal grants to state governments and an array of cuts covering defence, health and welfare spending.

Another \$1.1bn or more will come in proceeds from the sale of government assets, which will be used to reduce government debt. The removal of certain tax exemptions for government agencies will bring in a further \$1.1bn.

The measures apply to the 1987-88 financial year beginning on July 1. Another \$2.54bn in cuts applies to 1988-89. Further action is expected in the main budget in August, but yesterday's statement laid the groundwork and indicates that the Federal Government is likely to demand lower funding and borrowing ceilings from the state governments at a crucial meeting later this month.

Without these decisions, Mr Keating said, government spending in 1987-88 would have risen by more than \$7bn to \$82.09bn, more than \$1bn higher than expected less than six months ago. The cuts are projected to reduce this to \$78.45bn.

Although no figure for the budget deficit was given, Mr Keating publicly committed the Government to reducing it to less than 1 per cent of gross domestic product.

From his parliamentary statement and accompanying inflation forecasts, the implied figure for the deficit is \$2.9bn or less.

The deficit for the current year will be less than \$4bn, which is above the forecast last August of \$3.5bn but better than recently expected because of higher-than-anticipated tax revenues.

## Reagan denies asking Saudis for Contra aid

By Lionel Barber in Washington

PRESIDENT Ronald Reagan admitted yesterday that he discussed secret Saudi contributions to the Nicaraguan Contra rebels in a private meeting with King Fahd in 1985.

But Mr Reagan denied soliciting the money - which might have been deemed illegal under the 1985 Congressional ban on official US military aid - and said that King Fahd had raised the subject.

Mr Reagan's extraordinary step of discussing in public what he said to King Fahd and what he later wrote down in his private diary was prompted by testimony this week by his former top foreign policy adviser, Mr Robert McFarlane, to the Iran-Contra hearings on Capitol Hill.

The White House has been nervous by charges that US officials, unwittingly or otherwise, may have broken the law in their efforts to help the Contras during the Congressional ban on direct and indirect US military aid between October 1984 and October 1986.

President Reagan - who once described the Contras as the "moral equivalent of the founding fathers" - was kept informed about the Contra cause, according to testimony yesterday by Mr McFarlane.

He told the joint House-Senate panel that he made "dozens" of reports to the President on the Contras, providing information on their military progress against the Sandinista government, the inclusion of new political figures in the Contra movement, and US intelligence briefings on Central America.

Congressman Edward Boland, the Massachusetts Democrat who framed the Congressional ban on official US Contra aid, asked Mr McFarlane if any activity, particularly by Lt Col Oliver North, the sacked White House aide, violated the law.

Mr McFarlane said that some activities, including private fund-raising, and contacting third party donors "could have involved breaches."

Senator Orrin Hatch, the Utah Republican, asked Mr McFarlane repeatedly about the need to support the Contras to stifle Communism in Central America. "Isn't it a fact..." he said dozens of times. Mr McFarlane, staring at the television cameras a couple of feet away, said "yes, sir," and "no, sir," almost 60 times in 15 minutes of questions.

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## Setback for US insider trading probe

BY JAMES BUCHAN IN NEW YORK

THE FIRST criminal trial arising from Wall Street's insider trading scandal is likely to begin next week after a New York judge rejected last-minute efforts by the prosecution to gain time to prepare a stronger case.

The surprise decision by Judge Louis Stanton that the Government must proceed with the trial of three senior Wall Street traders next Wednesday is the first big setback for the official inquiry into the scandal, which has racked up some spectacular successes since the arrest of Mr Dennis Levine on insider trading charges shook the securities industry exactly a year ago.

The court ruling, citing the defendants' Sixth Amendment rights to a speedy trial, raises doubts about the strength not only of the Government's case against the three traders but its well publicised investigation into Drexel Burnham Lambert, the aggressive and controversial investment bank.

The three men are Mr Robert Freeman, the partner in charge of risk arbitrage, or speculation in takeover stocks, at Goldman Sachs; Mr Richard Winton, former head of arbitrage at Kidder Peabody; and Mr Timothy Tabor, a former Kidder Peabody trader.

The men were arrested and led away in handcuffs on February 12 and indicted in early April on charges that they had traded on inside information in two stocks. All three men pleaded not guilty. However, amid increasing signs

that the prosecution is badly overloaded by the complexity of the case, the US Attorney asked to delay the trial until July 20 to give time for it to seek an expanded indictment, involving nine stocks.

The judge's decision is a blow to Mr Rudolph Giuliani, the US district attorney. Mr Giuliani has so far extracted 10 guilty pleas from Wall Street traders and bankers, most spectacularly from Mr Ivan Boesky, the arbitrator, last November, but he has yet to bring a case to a trial.

The defendants have hired some of the best criminal lawyers in the US, and Mr Freeman is continuing to receive support from Goldman Sachs, one of the most powerful Wall Street investment banks.

The prosecution was bitterly criticised by defence lawyers in court for "publicly humiliating" their clients with February's dramatic arrests. Mr John McNamara, assistant US district attorney, neatly admitted the arrests were a mistake when he said: "We can be faulted for trying to proceed too fast." He argued that a May 20 trial would provide the defendants with an "unwarranted tactical advantage."

Defence lawyers, who were very pleased by yesterday's decision, have repeatedly attacked the government's case on the grounds that it is based solely on self-serving evidence from Mr Martin Siegel, a former Kidder banker who was confessed to insider trading ends.

## UK to give go-ahead for Airbus funding

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

THE British Government is expected this afternoon to make its long-awaited announcement of launch aid for British Aerospace's involvement in the next stage of the European Airbus project.

After lengthy negotiations between the company and the Department of Trade and Industry, proposals have finally been agreed to provide about £450m (\$750m) of grants and loans towards the £850m cost of British involvement in making the wings for the medium-range A330 and the long-range A340 Airbus in conjunction with other European countries. The company originally sought £750m government aid and argued that without substantial backing it would not be able to participate in the project.

The final package is understood to involve tight repayment terms for the loans following close questioning by the Treasury and members of Mrs Margaret Thatcher's Downing Street Policy Unit about the viability of the project, particularly the A340 where there is tight competition from the US.

There has been considerable lobbying by Conservative as well as opposition MPs in support for the project, which will affect both British Aerospace and its suppliers in a sizeable number of Conservative-held marginal seats.

Despite the lengthy, and unusually public, nature of the negotiations it would have been politically very difficult for the Government to have turned down the British Aerospace application and thus to take the company out of a major civilian aircraft project.

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US drug enforcement agencies will be among those watching the outcome of elections called by Bahamas Prime Minister Lynden Findling. Page 4

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## EUROPEAN NEWS

## Barbie refuses to appear in court again

BY GEORGE GRAHAM IN PARIS

KLAUS BARBIE yesterday walked out of the French courtroom where he is being tried for crimes against humanity and refused to appear in court again.

Barbie demanded to be taken back to his prison cell, claiming he was a Bolivian citizen who had been kidnapped and was now illegally held in France.

"I do not intend to continue to appear before this court," Barbie said, reading from a prepared text.

His statement caused upheaval in the court, and Judge

André Cordini suspended the hearings, already in their third day. Proceedings resumed later without Barbie.

Mr Pierre Truche, the prosecutor, called Barbie "a shameful Nazi who does not even look at his own past and explain himself."

"For the honour of French justice, we gave him the chance to explain himself in front of jurors who are not old enough to have experienced these events. Now, as ever, it is 'Herr Nein' who stands before us," the prosecutor said.

Mr Jacques Vergès, Barbie's

defence lawyer, replied that his client did not wish to subject himself to a lynch mob.

The interruption caused upheaval in the hall, where Judge Cordini has been noticeably annoyed by the continual movement and noise among the hundreds of spectators and journalists crowding the specially-built temporary courtroom.

"Please, we are not at the theatre," he complained when spectators applauded a lawyer representing one of the associations which have joined the

prosecution as associated plaintiffs.

Barbie's walk-out follows the same tactics as those used by Mr Vergès's last major client, the Lebanese terrorist Georges Ibrahim Abdallah, who walked out of his trial in March after rejecting a lengthy denunciation of the court.

The defendant has the right under French law to ask to be taken back to his cell, leaving his defence to his lawyer.

The judge did not yesterday use his right to force Barbie to return. The day's proceedings

will have to be relayed to him every evening by a court clerk.

Barbie had earlier defended himself against charges of torture, murder and deportation of Jews and of members of the French resistance movement.

He put the impression you were trying to make me out as the master of Lyon from 1942 to 1944. But we were just a commando unit, and we were subordinate to the German army, the Wehrmacht," Barbie said.

Barbie, 73, told the court: "I cannot explain National Socialism to you in two words."

## Italy lifts restrictions on foreign securities

By John Wyles in Rome

ITALY TOOK a key step towards opening up its financial system yesterday by lifting a long-standing restriction on the private purchase of foreign securities.

Dr Mario Sarcinelli, the Foreign Trade Minister, yesterday signed a decree scrapping the requirement that a non-interest bearing deposit equal to 15 per cent of the value of foreign securities must be lodged with the Bank of Italy.

The move brings Italy into compliance with EEC directives well in advance of the December 15 deadline set last year by the European Commission. With other, more minor, restrictions that were also lifted yesterday, officials claim that Italy is operating as free a foreign exchange regime as France.

Dr Sarcinelli's initiative is unusually enterprising for a minister in a caretaker government. A former top official of the Bank of Italy, the was appointed at the end of last month as a "technician minister" on a secondment from his post as director-general of the Treasury.

This is judged to be a favourable time to free the purchase of foreign securities because of the growing seasonal impact on Italy's balance of payments and on the lira of tourism receipts.

It now seems clear that last Friday's significant fall in the lira against other major currencies was encouraged by the central bank partly to alleviate the impact of yesterday's announcement. In the event, however, it had been largely discounted by the markets.

Previously, only mutual funds have been allowed to acquire foreign shares and bonds without paying the deposit, although their holdings were limited to 10 per cent of their portfolios. A sudden surge in Italian demand for foreign securities is unlikely, however, because the securities industry is not yet fully geared up to marketing them.

Other restrictions lifted yesterday will allow corporate groups to open foreign exchange accounts on a group rather than company basis. In addition, they will have total freedom to manage their foreign exchange accounts which can be maintained for 120 instead of 60 days before liquidation.

Some controls will remain on forward foreign exchange transactions as will the prohibition on all Italians from having overseas bank accounts. This will be tackled by a complete revision of the foreign exchange law, due to be completed by October, on the basis that everything is permissible unless specifically forbidden.

It was vital that the Government should stick to its course to engender the market confidence needed to get interest rates down and stimulate private-sector growth.

The chief battle at present over the budget is in the health service. Mr Charles Haughey, the Prime Minister, is under heavy pressure to curb a programme of spending cuts that has prompted large public demonstrations and serious dissent within Fianna Fail.

Yesterday, he reiterated the Government's commitment to the cuts and censured three of his backbenchers for opposing them.

Other assessments predict growth this year of at least 1 per cent. Fianna Fail certainly hopes that a restoration of confidence in the private sector will spur better performance than the central bank foresees.

## Knives out in Bonn coalition over scrapping missiles

BY PETER BRUCE IN BONN

CONSERVATIVES in the West German coalition are threatening a fierce political assault next week on Mr Hans-Dietrich Genscher, the Foreign Minister, because of his continuing support for accepting the Soviet offer to remove all shorter-range intermediate nuclear (INF) missiles from Europe.

Mr Genscher and his Liberal Free Democrats (FDP) are openly at odds with Chancellor Helmut Kohl's Christian Democrats (CDU) who want to accept only an offer to scrap missiles with a range of more than 1,000 km and to negotiate equal ceilings in ranges below that.

Criticism of Mr Genscher by the CDU has been relatively muted, however, because important state elections take place in the Rheinland Palatinate and in Hamburg on Sunday. The CDU is trying to avoid accusations that its position threatens prospects for disarmament in Europe.

After Sunday no immediate domestic political obstacles exist to prevent the CDU, especially Mr Manfred Woerner, the Defence Minister, Mr Alfred Dregger, the party's floor leader, and Mr Volker Ruehe, its foreign affairs spokesman, from raising the

pride of its campaign to stop the so-called "double zero" option being agreed between the US and the Soviet Union in the INF talks in Geneva.

There is fairly broad consensus within the CDU on opposing the complete abolition of shorter range missiles and party officials say that Mr Genscher will have to "step into line" in order to avoid attack next week.

He is unlikely to do so, although Foreign Ministry officials say there are ways in

which the FDP and CDU positions can be "harmonised." NATO has no shorter range (500 km-1,000 km) missiles at the moment and Mr Ruehe, for instance, has hinted that he might accept simply the option to install new shorter range weapons to match an agreed ceiling with the Soviet Union.

Robert Maunther, Diplomatic Correspondent, adds: Mr Ruehe explained his party's strong reservations about the double zero option during a 35-minute meeting with Sir Geoffrey Howe, the British Foreign Secretary, in London yesterday.

He said after the meeting that he expected Bonn to adopt its final position on the Soviet offer to abolish all longer- and shorter-range nuclear missiles in Europe by the end of this month or the beginning of June after full consultations with its allies.

He stressed particularly the importance of an agreement between West Germany, Britain and France on the subject.

"If we agreed to a double zero option it would leave us as the only nation in central Europe in which all the remaining nuclear weapons deployed on its territory (up to a range of 50 km) would also be used only on German soil, whether west or east."

The shorter the ranges, the leader the Germans, sums up the situation concisely, Mr Volker said.

He also underlined an aspect of the problem which was not generally understood in other countries, namely that a double zero solution would undermine the broad West German consensus on the need for nuclear deterrence. There was therefore a real danger that the adoption of the double zero solution could lead to the "decoupling" of West Germany from its European partners.

## Rome ends monopoly on foreign radio broadcasts

BY OUR ROME CORRESPONDENT

THE ITALIAN Constitutional Court yesterday broke the national broadcasting service's monopoly on overseas radio transmissions. The judgment means that Italy's private stations can launch competitive international stations capable of rivaling Radio Monte Carlo or Radio Luxembourg.

Having opened the way to private radio and television stations in Italy 11 years ago, the Court has remained faithful to the view that a monopoly by RAI, the state-owned radio and television service, breaches the Constitution's freedom of information provisions.

However, the judges have admitted that pluralism may have its limits in the international sphere and that private stations broadcasting abroad must honour Italy's international obligations. This could mean limits on "certain types of transmissions" which the Government might judge as compromising Italian foreign policy or likely to draw protests from countries which are the targets of transmissions.

The Court, therefore, recommends a system of licences "which could be denied or withdrawn for technical reasons or for reasons to do with international relations."

## MEPs back overhaul of finances

BY QUENTIN PEEL IN STRASBOURG

THE EUROPEAN Parliament yesterday voted by a large majority in favour of the plans for a radical overhaul of EC financing, including a big switch from agriculture to regional and social spending, proposed by the European Commission.

However, the MEPs called for even tougher restrictions on farm spending, and more generous and coherent policies in the poorest outlying areas of the Community, than suggested in the plans put forward by Mr Jacques Delors, the Commission president.

The instructed their president, Lord Plumb, to present their conclusions in person to the EC summit next month, in an effort to raise the pressure on the member states to settle their deep differences over the need for such reforms.

The MEPs gave their blessing, by 225 votes to 38, with 63 abstentions, to the commission's bid to increase the absolute amount of cash available to the EC budget to 1.4 per cent of gross national product in the Community—compared with about 1 per cent at present.

However, they also approved a special amendment to their report, insisting that none of the new cash should be spent on farm price support—and that there should be a legal clause in any deal to that effect.

THE CENTRAL BANK governors of Spain and Portugal yesterday split out target dates for bringing their respective currencies into the exchange rate mechanism of the European Monetary System, writes Quentin Peel.

Mr Mariano Rubio, governor of the Bank of Spain, suggested that 1989 as the target date for the peseta to join the EMS, which links eight of the 12 EC currencies, with the most notable exception of the pound sterling.

In a speech to members of the European Parliament, he said that such a decision would obviously depend on the government of the day, and on prevailing economic circumstances. But he hoped that by 1989 Spain would have completed the economic adjustments necessary to bring its monetary policy in

line with the other member states.

Mr Jose Alberto Tavares Moreira, the Bank of Portugal governor, suggested a longer timescale of 1992 as "a realistic date" for bringing the escudo into full membership.

Both governors insisted that they would ask for the widest measure of divergence within the exchange rate mechanism allowed to other currencies. Italy is currently allowed to let the lira move in a 6 per cent band in the system, compared with only 2.5 per cent for other currencies.

Mr Tavares Moreira also insisted that Portugal would not join until the British Government had brought sterling into the mechanism. That decision is believed by many officials in Brussels to be imminent.

policies co-ordinated in Brussels, and closer monetary co-ordination—the latter strongly endorsed by Mrs Delors herself.

He urged the need for the reforms as one part of a European economic growth strategy, stressing the inability of both the US and Japan to expand their economies as rapidly as could the EC states.

The significant number abstaining in the vote included the majority of the European Democratic Group, led by British Conservative who argued that it put too much stress on budget spending, and too little on the process of market liberalisation. British Labour MEPs divided between abstentions and outright rejection of the report, which was carried by the alliance of other Socialists, Christian Democrats and Liberals.

Mr Delors warned Irish MEPs that they could not expect any negotiation of the Single European Act or the reform of the Treaty of Rome from which his financial reforms stem — if Ireland were to vote against it in the forthcoming referendum. He said it was not intended to restrict any case to negotiate the Single Act, whatever the result of the referendum being held to allow the necessary modification of the Irish constitution.

They also backed a rapid switch in spending from the price-support and export-subsidy system, to far more direct income support for small farmers. Income support should be 55 per cent of the available cash as soon as possible, and 50 per cent in the medium-term, they said.

On regional and social policies, the MEPs concluded

that a doubling in funds, as proposed by the Commission but strongly opposed by member states like Britain, West Germany and France, was the minimum necessary, and all other policies would be organised to help the poorest regions catch up the wealthy centre.

The majority view stressed the need for more social policies co-ordinated in Brussels, and closer monetary co-ordination—the latter strongly endorsed by Mrs Delors herself.

## Call to drop taxes on securities deals

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Commission yesterday unveiled a plan to abolish taxes on securities transactions throughout the European Community.

The proposal, which must still be approved by ministers, is designed to harmonise tax throughout the Community. It is part of the Commission's drive to create a barrier-free common market in goods and services by 1992.

The proposed directive is likely to be of most interest to

Britain, whose stamp duty raised almost £90m in government revenues last year or the equivalent of nearly 1p on income tax.

The Conservative Government is firmly committed to the liberalisation of capital movements—an objective which the Commission is designed to speed up—but Treasury officials are also bound to take into account the revenue implications of supporting the Brussels initiative.

The Commission's new directive, which will not be discussed by finance ministers until the European Parliament and the Economic and Social Committee have given their

opinions, replaces a previous proposal to harmonise securities transaction taxes which was first presented in 1976. Disagreements between member states have become badly bogged down in technical detail with most member states (notably Britain

and Ireland) raising objections.

Officials at the Commission feel that straightforward abolition, while more radical, may be simpler and point out that some member states are taking action unilaterally to dismantle such levies range between 0.5 and 5 per cent. The Belgian Government, for example, has already abolished its levy, while exempt non-residents, while the authorities in West Germany are also considering changes.

The main objective for Japan, with domestic demand increasing more rapidly than output, accompanied by rapid growth in imports. The communiqué welcomes Japan's commitment to "substantial fiscal and other

measures to strengthen the growth of domestic demand" and its pledge to further improve access for foreign goods to its market.

In West Germany, the growth of domestic demand, in particular private investment, must exceed "substantially" the growth of potential output, the communiqué says. The Bonn Government acknowledges that should there be a serious risk to sustained expansion, it would review its medium-term plans for tax cuts and the reduction of subsidies.

Overall, governments agree that monetary policies, supported by fiscal policies, should

remain consistent with low inflation objectives and real growth potential. They should also contribute to the orderly behaviour of exchange rates.

"In view of the outlook for low inflation in many countries a further decline in interest rates in these countries—in particular a market-led decline of long-term rates—would be helpful," the communiqué adds.

Strengthened co-ordination of macro-economic policies should be buttressed by greater efforts to liberalise markets, remove structural rigidities and phase out industrial subsidies. "These compound current macro-economic problems and retard

growth. Increasing competition in product markets, responsiveness in factor markets and the public sector will contribute significantly to growth potential in all countries."

In a section on trade policies, the ministers say that: "It is of paramount importance to reverse recent trends towards more restrictive trade measures, notably a bilateral or discriminatory nature." In coming months OECD nations will take comprehensive proposals for trade liberalisation in the context of the Uruguay round of the General Agreement on Tariffs and Trade.

The report says: "Thus the farm crisis of the early 1980s is being handled not only by means of increased budget expenditure to maintain farmers' incomes, but also by exporting the most perceptible signs of the crisis to the rest of the world."

"Continuing heightened confrontation between exporters could have, in the medium term, dire consequences for world agriculture... The economic, social and political consequences of all this could cause the system to collapse and bring in a cycle of gluts and shortages, that could not fail to damage the world economy."

"National Policies and Agricultural Trade, OECD, 2, rue André-Pascal, 7577 Paris Cedex 16, France.

The report points out that, in spite of the fact that the rapid increase of agricultural

livestock products would rise while prices for products used to feed livestock would fall. The world price of milk products, which are heavily subsidised, would rise by 5 per cent.

The reason for this is that a withdrawal of subsidies and domestic price support for dairy products would result in a cut in agricultural output so that less surplus production would be dumped on world markets. However, the cut in OECD agricultural output would be less than 1 per cent.

Since some of the effects would meet each other, the impact on particular sectors might be less severe than if subsidies were cut for only a few products. For this reason, the report says, "a co-ordinated multilateral, multi-commodity approach would lead to significantly greater benefits for OECD countries."

It also estimates that a 10 per cent cut would reduce national budget outlays on agricultural support by \$400-\$600 million per year, with a significant additional saving for consumers. These savings could be spent on generating economic activity in other sectors.

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## EUROPEAN NEWS

## SGS chief warns of job cuts in new group

By Terry Dodsworth in London

MR Pasquale Pistorio, managing director of the new European semiconductor company formed from the merger of SGS of Italy and the non-defence chip manufacturing activities of Thomson of France, said last night that he would be forced to cut jobs in the combined group.

The number of job losses would depend on the speed with which the joint company expanded, he said. But, on the basis of present manpower costs, the group would need to lose about 10 per cent of its combined work force of 18,000.

Mr Pistorio, an Italian who worked for many years with Motorola in the US, gained a reputation as a tough manager when he forced through redundancies at SGS after taking charge of the Milan-based group in 1980.

He made it clear yesterday that he had made no decision on the precise number of redundancies, and that he would aim to achieve as much as possible through natural attrition. But he stressed that the growth of the group would not be swift enough to avoid redundancies, which were likely to fall particularly heavily on administrative departments, with some reductions in manufacturing.

He added that the group also had too many factories, although he refused to speculate on closures, saying that it might be possible to improve the use of some facilities.

Underlining the group's high labour costs, he said that on the basis of the performance of the two constituent businesses last year, sales worked out at about \$44,000 per head of staff. But to be profitable, sales of about \$50,000 a head were a minimum requirement and by the end of 1988 the target would have risen to \$60,000.

WARSAW TELEVISION BREAKS THE SILENCE ON ONE OF STALIN'S ATROCITIES

## Debate opens on Polish massacre

BY CHRISTOPHER BOBINSKI IN WARSAW

POLISH television has broken a long official silence over the Katyn massacre in which over 14,000 Polish officers interned by Stalin at the beginning of the war were killed by Soviet troops.

This suggests that Mr Mikhail Gorbachev, the Soviet leader is ready to countenance new inquiries and apportion blame to Stalin for an event for which the Soviet Union has always blamed the Germans.

The topic was raised during a television programme devoted to a discussion of a new Polish-Soviet declaration signed last month promising that "blank spots" or controversial moments in mutual relations hitherto excised by state censors would be examined by historians and the results published.

Despite the April declaration the 1940 Katyn massacre remains extremely sensitive and subsequent comment in the Polish press has

been cautious and this had raised doubts that Katyn would be included in the subjects historians would be permitted to handle.

Even the programme which finally mentioned the massacre was muted and this suggests that the declaration signed by Mr Gorbachev and General Jaruzelski still arouses controversy in the Warsaw and Moscow establishments.

The programme was chaired by a senior editor at Nowe Drogi, the party theoretical journal and featured two historians, both well connected Communist Party members.

Katyn came up along with the Communist attitude to the war between 1939 and 1941 and the dissolution of the Polish Communist Party in 1958 as examples of subjects for historical examination.

"I would like to read a thorough monography devoted to the fate of



Gen Jaruzelski

the Polish officers interned in the Soviet Union in 1939," Professor Jan Baskiewicz said.

"And that would include a full ex-

amination of all the circumstances surrounding Katyn," Mr Ludwik Krasucki from Nowe Drogi replied in a short exchange which must have had top level approval before it went out on the air.

Poland's new export development bank has held its first sale under a cautious scheme designed to permit companies to buy hard currency from one another.

Hard currency has previously been available from central funds or to those who are exporters and are thus permitted to retain a portion of their earnings.

At the sale, which is an additional way of getting hard currency and will take place twice a month, \$80,000 was sold at prices between 21 500 and 21 900 per dollar compared to the 21 240 official rate of the US dollar. Demand at the sale amounted to \$1.7m.

## Bofors faces fresh allegations

By Sara Webb in Stockholm

BOFORS, the Swedish arms manufacturer which smuggled weapons to the Middle East and which is under investigation for allegedly paying bribes in order to secure its SKR 8.4bn (\$1,282m) Howitzer gun order to the Indian army last year, faces fresh allegations from Swedish radio concerning the Indian order.

The radio claimed yesterday that Bofors paid SKR 250m to Indian agents and middlemen, thereby violating an earlier agreement not to use such intermediaries, and that the agents' commissions - of 3 per cent - were actually written into the contract between Bofors and the Indian Government.

Ambassador Bhupatray Oza, the Indian ambassador in Stockholm, said that the Indian Government denied that any agreement concerning payment of intermediaries had been written into the contract.

He said it had been Indian Government policy not to use such agents for defence contracts in an effort to clamp down on corruption, and that negotiations with Bofors had taken place on the clear understanding that such agents would not be used.

Mr Olof Palme, the Swedish Prime Minister who was assassinated last year, apparently gave assurances to Mr Rajiv Gandhi, the Indian Prime Minister, that Bofors would not use middlemen.

However, Mr Ingvar Carlsson, the present Swedish Prime Minister, has since claimed that the assurance cannot be taken as a formal guarantee that no agents were used.

Swedish radio's original claims last month that Bofors paid SKR 32m in "commissions" to secure the order caused a furore in India.

## Le Pen sows alarm and confusion on French right

BY DAVID HOUSEGO IN PARIS

FRENCH CONSERVATIVE parties are seeking ways of warding off a challenge from Mr Jean-Marie Le Pen, leader of the extremist right wing National Front, which could undermine their chances of success in next May's presidential elections.

Since declaring his candidature last month, Mr Le Pen has held the headlines with statements on immigration, delinquency and AIDS - all themes which opinion polls show worry a substantial segment of the electorate. On AIDS, he brought on himself stinging denunciations from ministers after declaring on a widely-watched television programme that AIDS victims are contagious through "their saliva and through contact".

With 10 per cent of voters backing him according to the opinion polls, Mr Le Pen heads the largest extreme right-wing movement in any major European country. The fear of conservative leaders is that at this level he could split the right-wing vote in a presidential election in a way that would damage the chances of the two most probable candidates, Mr Jacques Chirac, the Prime Minister, and Mr Raymond Barre, one of his predecessors.

Of the two, Mr Chirac is the more vulnerable as his electorate is closer to that of Mr Le Pen.

Conservative parties are, however, torn on whether to try and woo National Front supporters by conciliatory measures, or whether to dissociate themselves from Mr Le Pen's popular demagoguery. In practice Mr Chirac's government is now doing both with the risk that he will alienate

the centre while failing to regain the extreme right.

On the one hand, the Government has thus decided to revive the proposed nationality law which will deprive second-generation immigrants of automatic citizenship. Likewise Mr Charles Pasqua, the Interior Minister, deliberately demonstrated his toughness this week in announcing that he was

With 10 per cent of voters backing him according to the opinion polls, Mr Le Pen heads the largest extreme right-wing movement in any major European country.

prepared to deport illegal immigrants by "trainload" - a remark that in the week of the Klaus Barbie trial earned him sharp attacks from the centre and left.

At the same time more liberal members of the government, such as Mr Alain Juppe, the Budget Minister, have distanced themselves from the "racism" and simplicity of Mr Le Pen's programme. Mr Juppe characterised Mr Le Pen as representing all that was most "backward, simplistic and most perverse" in French politics.

Mr Le Pen's hope is that he will carry sufficient weight in the presidential elections to have a lever on cabinet-making in the government that is formed immediately afterwards.

## Iceland acting leader fails in effort to form government

BY GUDMUNDUR MAGNUSON IN REYKJAVIK

MR STEINGRIMUR Hermannsson, acting prime minister of Iceland and leader of the Progressive Party yesterday gave up his effort to form a new coalition government in Iceland.

The first round of talks between political leaders headed by Mr Hermannsson proved fruitless and he returned his mandate to the president, Mrs Vigdis Finnbogadóttir.

The president is expected tomorrow to give the mandate either to the Independence Party or Mr Jon Baldvin Hannibalsson, leader of the Social Democratic Party.

Mr Hermannsson told a press conference in Government house in

Reykjavik that Mr Jon Baldvin Hannibalsson, Social Democratic Party leader, saw no ground for co-operation with the Progressives. Mr Svavar Gestsson, leader of the Leftist Peoples Alliance had also informed the Prime Minister that his party was, for the time being, unable to take part in any serious Government negotiations.

Mr Albert Gudmundsson, leader of the New Citizen Party was also sceptical about participation in the government and was considering an opposition role, according to Mr Hermannsson.

Only the Women's Alliance proved ready for serious negotiations with the Progressive Party

and the Independence Party headed by Mr Hermannsson. The Independence Party turned that offer down.

It is widely believed that the Social Democrats and the Independence Party are ready to form a coalition together but as they have only 28 seats in the 63 seat parliament, the Althing, they need a third party.

Mr Hannibalsson has said that this third party will either be the Women's Alliance or the People's Alliance. Talks between the Social Democrats, the Independence Party and Women's Alliance could start this week.

## UK 'suggests' priorities on missile cuts

A WEST GERMAN newspaper said yesterday that Mrs Margaret Thatcher, the British Prime Minister had suggested a six-point priority list for nuclear missile cuts to Chancellor Helmut Kohl two weeks ago, urging Bonn to state its position. Reuter reports from Bonn.

Die Welt, in what it said was a summary of the letter to be published today, said Mr Thatcher advocated a package deal on medium-range missiles, negotiated and implemented in phases.

On the Soviet proposal to ban shorter-range missiles from Europe, which has split Mr Kohl's coalition, Die Welt said Mrs Thatcher believed that, even if this were desirable, it would be almost impossible to carry out in practice.

## Nato tackles task of drawing up reply to Gorbachev offer

BY DAVID SUCHAN IN STAVANGER

NATO TODAY makes its first collective ministerial effort to come up with an Alliance answer to Mr Mikhail Gorbachev's sweeping proposals to rid Europe of all nuclear missiles with a range between 500 and 5,000 kilometres.

Arms control will dominate NATO's Nuclear Planning Group (NPG) meeting, which lasts today and tomorrow in this Norwegian oil port and is composed of 14 defence ministers. But a final NATO reply to Mr Gorbachev is not expected before mid-summer.

An early missile accord with Moscow would give President Ronald Reagan a useful distraction from the Iran-Contra affair, but the US Administration and other allies have made it clear they do not want to rush West Germany, NATO's key front-line state, into making up its mind. Chancellor Helmut Kohl, presiding over a coalition government divided on European nuclear arms control, has

Army refused to be rushed. There is a strong chance that General Bernard Rogers, the supreme NATO field commander, and General Wolfgang Altenberg, chairman of the NATO Military Committee, will tell the Stavanger meeting that either warhead reduction should be slowed down or warhead modernisation should be speeded up. If NATO is to lose all its Europe-based missiles of over 500 km range. If that is the soldiers' message, there is an equally strong chance of ministers concurring.

An added problem for the West Germans is the last minute inclusion in Soviet proposals of a demand that US controlled warheads of 72 Pershing 1A missiles held by the West German Air Force must disappear as part of elimination from Europe of shorter range intermediate nuclear forces (known as SRINF with a 500-1,000 km range).

Western defence officials do not deny the military symmetry behind the Soviet demand. The West German Pershing 1A's are all that NATO has in the SRINF range, but they happen to match the total of 70 Soviet SRINF missiles in Eastern Europe and Western Russia. According to UK defence officials, there are 42 SS-12/22 missiles in Eastern Europe, and 16 SS-12/22 missiles and 12 SS-20s in Western Europe. The Soviets have some 60 SRINF weapons in Asia, where the US has none.

However, Moscow is making a late change in the ground rules, some Western officials complain, by including "third country" systems in what is supposed to be a purely bilateral superpower negotiation that had focused on launchers rather than warheads.

Bonn's dilemma, as its Defence Minister, Mr Manfred Woerner, is expected to spell out at the NPG meeting, is its probable isolation whatever NATO decides. If NATO wants to accept the Gorbachev zero offer on SRINF then only the West German Pershing 1A force stands in the way of agreement. If NATO rejects the SRINF zero option and demands a Western right to match the higher global Soviet total on SRINF then West Germany might still be the only recipient of extra Western weaponry.

"The Germans have got a difficult, sophisticated political debate on their hands," commented a senior UK defence official this week.

Defence ministers and NATO's uniformed top brass are this week likely to air fully the military reservations about the Gorbachev proposals, knowing that NATO foreign ministers, at their Reykjavik meeting next month which is expected to be more decisive, will take a more political view of the need to nail down an East-West accord.

## How to replace your bulging warehouse with a bulging wallet.

If a company is going to succeed abroad it must get the basics right. It has to deliver on time and to the right destination. This is where we come in.



FIG 1. A to B. Door to door (ie no going round the houses).

DHL have been sticking to these particular golden rules for years delivering urgent documents worldwide.

In fact we've stuck to them so well that now there isn't another air express company that can match us.

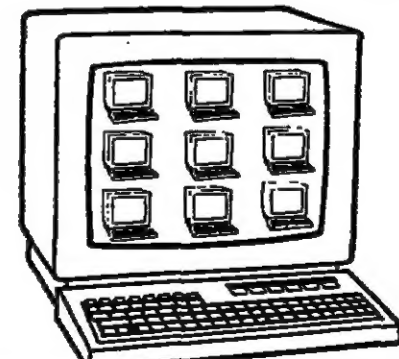


FIG 2. We can deliver twenty PC's faster than some companies can deliver one.

We have the biggest network, 800 offices in over 160 countries, but did you know we express freight as well as documents?

Now just think of all the potential benefits that DHL could offer your company.

A reliable worldwide express service tailored to meet your needs.

Not just as an ad-hoc service, but as a regular and integral part of your distribution needs.

With DHL working with your business on a regular basis you'd see your costs massively reduced.

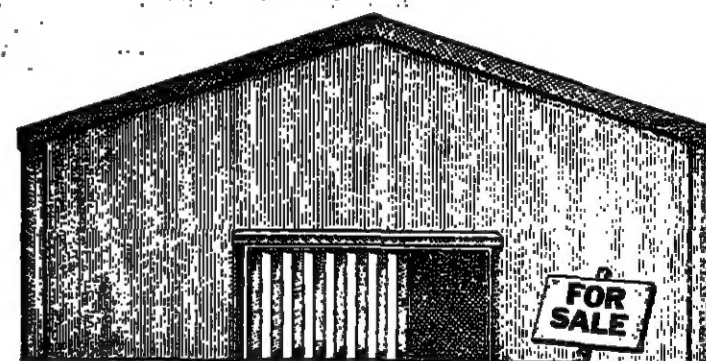


FIG 3. An empty warehouse means DHL are doing a good job on the road (and in the air).

You would reduce costs on inventory, warehousing and all those other overheads involved when stock stands idle.

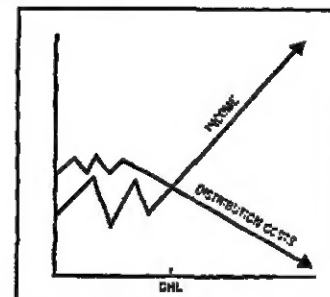


FIG 4. Up, up and away go those profit margins.

Obviously with your costs going down, your margins would go up. And that's not all.

With a faster, more reliable service your customers will be especially happy. No one else offers such a reliable, efficient system.

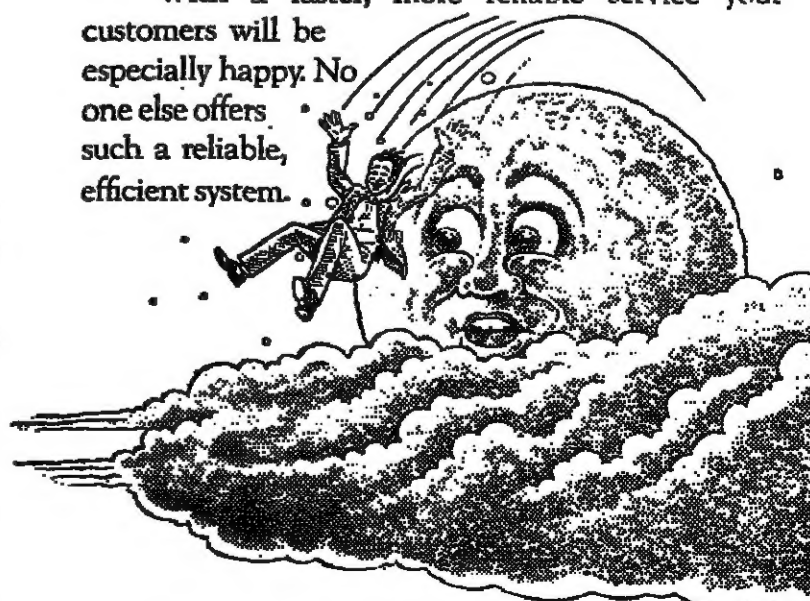


FIG 5. How will your customers feel about your new improved service?

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## AMERICAN NEWS

## Reagan 'well informed on Contra policy'

BY LONEL BARBER IN WASHINGTON

PRESIDENT Ronald Reagan was kept intimately informed of all aspects of US policy towards the Nicaraguan Contra rebels, the Congressional hearing on the affair was told yesterday.

Mr Robert McFarlane, a former National Security Adviser to the president, said he had held "dozens" of meetings with Mr Reagan on the Contras, including their efforts in the rebellion against the Sandinista government. US intelligence briefings, and the inclusion of new political figures in the Contra movement, "There was real time reporting almost every day," said Mr McFarlane.

Mr Reagan's close interest in the fate of the Contras has been highlighted in Mr McFarlane's testimony this week to the joint House-Senate Select Committee. On Monday, he indicated that

THE SWISS authorities have blocked the \$10m which was donated to the Nicaraguan Contra rebels by the Sultan of Brunei, but ended up in the wrong Geneva bank account, writes William DuBois in Geneva.

Mr Vladimir Stenbocker, the magistrate in Geneva investigating Iran-Contra ramifications, said he had ordered the money and the interest earned on it to be frozen after

Saudi Arabia had contributed \$1m a month to the Contras. This doubled after a meeting in February 1986 between King Fahd and the president in the White House.

The Wall Street Journal, responding to a White House denial that President Reagan had solicited funds from the Saudis, yesterday reported that Mr Reagan's handwritten notes in his diary showed he and King Fahd had discussed Contra funding. The discrepancy now

lies in whether it was Mr Reagan or King Fahd who first brought up the funding idea, because soliciting money was against the law.

Mr Reagan said yesterday that King Fahd had raised the subject at the end of their meeting. Mr McFarlane faced questions yesterday from Congressman Edward Boland, the Massachusetts Democrat who introduced legislation which banned all official military aid

to the Contras and any involvement by the Central Intelligence Agency or the Defense Department between October 1984 and October 1986.

On several occasions, Mr McFarlane conceded he had withheld information from Congress about the activities of Lt Col Oliver North, the sacked White House aide. He also admitted that Col North's involvement in helping raise funds for the Contras could have broken the law.

Later, Mr McFarlane was questioned by Mr James McClure, the Idaho Republican who asked if Israel had been the prime instigator in the sale of US weapons to Iran in 1985-1986. Mr McFarlane agreed but pointed out that both Israel and US government officials, including President Reagan, were aware that Israel's interests in the Middle East differed from the US.

Senator McClure said that Israel had a strong interest in selling anti-tank weapons to Iran in its war with Iraq because Israel was worried about an Iraqi tank strike on itself. Mr McFarlane agreed. Asked about the sale by Israel — on US approval — of several hundred Tow anti-tank weapons, Mr McFarlane said: "I do believe it was a little extravagant."

## Missile pact 'no bar' to tests of SDI parts

By Stewart Fleming, US Editor, in Washington

THE REAGAN Administration yesterday took another step towards a confrontation with Congress on arms control policy, and a step away from an agreement with the Soviet Union on long-range strategic missiles.

The White House announced that the second phase of its study of the 1972 anti-ballistic missile treaty, that deals with the restriction in the Senate, raises no obstacle to testing sophisticated components for the US Strategic Defence Initiative.

Mr Martin Fierwater, the White House spokesman, announcing the results of the State Department study, said this did not mean a final decision had been taken to adopt a broad interpretation of the ABM treaty.

This would not be taken until June. The White House anticipates that then the third phase of its examination of the record of the practices of the US and the Soviet Union under the accord will be complete.

Critics of the administration's hard line on SDI are convinced, however, that the administration will adopt the broad interpretation. The Soviet Union has made clear that constraints on SDI are an essential element of any strategic arms accord and that re-interpretation of the treaty, to make SDI testing easier, would be an obstacle.

The administration's decision will create a storm of protest in Congress where Senator Sam Nunn, the Georgia Democrat who may well be the most influential member on arms control issues, has warned of a constitutional crisis.

He has maintained that when the Senate approved the treaty, it did so on the basis of the narrow interpretation which would restrict SDI testing and that given the constitutional role of the Senate in ratification of treaties, the executive branch cannot unilaterally re-interpret them.

## Brazil restricts price rises to 80% of inflation

BY IVO DAWNAY IN RIO DE JANEIRO

THE Brazilian Government has acted to curb excessive price rises by insisting on no more than one increase each month on any non-agricultural product. It has also introduced punitive fines on speculative pricing.

Mr Luis Bresser Pereira, the Finance Minister, also announced that all increases must represent less than 80 per cent of the monthly inflation rate. Any higher rises will need authorisation by officials who are now set to take a much firmer hand in monitoring wholesalers and retail outlets.

Those deemed to have imposed unjustified increases may be fined up to 25 per cent of their monthly sales, though the criterion for establishing this remains unclear.

The measures followed a furious row last week between the Government and the business community over a wave of rapid price increases—many exceeding 100 per cent. Businessmen claim that the rises last Friday, whereby supermarkets in various cities more than doubled their charges in one day, stemmed from fears that a new price freeze was imminent.

The new restrictions have received a guarded welcome. Mr Mario Amato, chairman of Fiesp, the Sao Paulo state industrial federation, last week blamed the Government for the price rise surge. But he appeared yesterday to welcome the new curbs.

## Alfonso Bill seeks to absolve junior officers

BY TIM COONE IN BUENOS AIRES

A HIGHLY controversial bill to exonerate junior officers and other ranks in the Argentine armed forces from responsibility for homicide and torture during the repression by the military regime of 1976-83, is to be debated in Congress next week. The bill is being tabled on behalf of President Raul Alfonsín, in an apparent bid to ward off further military unrest in the country.

It would amount to what human rights organisations have labelled a "de facto amnesty" for all military and police personnel below the rank of colonel, or the equivalent, who have been charged, or are accused, of serious abuses during the military regime.

More than 350 military and police personnel stand accused, most of them below the rank of colonel. The Government's view is based on the report made by its attorney-general last week, that middle and junior ranks of the armed forces were obliged to follow orders as part of a

military campaign aimed at physical elimination of anyone who might have been remotely connected with the guerrilla movements active in Argentina at the time.

The report says that only those responsible for organising the campaign may be considered guilty of the crimes committed. The courts have established that junior officers bear responsibility for their actions. A rebellion last month by junior officers — as a response to the start of trials — amounted to a direct challenge to the government and the judiciary.

The government's attempt to change the law is widely interpreted as a big concession to the armed forces, sectors of which have continued to threaten further rebellion if the trials continue.

Senator adds from Paris: Argentina will meet the Paris Club of creditor governments next week to seek the rescheduling of \$1.8bn (£1.05bn) of its \$60bn foreign debt, financial sources said.

## Athena Damianos and Robert Graham report on controversy in the Bahamas Pindling sets out to charm the electors

THE BIBLICAL nickname of Moses has stood Sir Lynden Pindling, the Bahamas Prime Minister, in good stead ever since gaining power in 1967 from the established white elite and subsequently leading his people to independence from Britain.

His reputation as a father-figure has enabled him to ride out a mounting tide of controversy over allegations linking him and his governing Progressive Liberal Party (PLP) with drug-related corruption. But he is going to need all his skills to retain the premiership in the elections he has just called for June 19.

Elections were due in November. However, Sir Lynden has brought forward the date largely to prevent the opposition Free National Movement (FNM) capitalising further on the drug-corruption issue. The opposition has been availing itself of parliamentary privilege to challenge the government with an embarrassing series of allegations that are proving increasingly difficult to shake off.

Sir Lynden is also under attack for padding out the civil service with friends and supporters so that the 14,000 employees now account for 65

per cent of recurrent expenditure. His support is also being eroded by his failure to tackle the high unemployment in the islands, now believed to be over 20 per cent in a total population of only 250,000. With more than two-thirds of the population under 25, fast-time voters and the disaffected youth vote could play a vital part in determining what promises to be a close run election.

## Money laundering

The outcome will be watched closely by the Reagan Administration, which has shown signs of considerable exasperation with Sir Lynden's Government over his failure to co-operate adequately with drug enforcement policies and the prevention of money-laundering through Nassau's offshore banking facilities. Bahamas at present is not included in the Reagan Administration's Caribbean Basin Initiative because of a refusal to agree on treaties of co-operation on the investigation of money-laundering bank accounts. If the FNM were to gain power, a more conservative co-operative and less nationalistic government would emerge.

Sir Lynden's PLP currently holds all but 11 of the 43 seats in the National Assembly. However, this majority from the previous elections conceals the fact that in many constituencies, the conservative FNM came close to winning, especially in middle class districts.

Recently, Sir Lynden raised the number of seats to be contested to 49. Clearly he anticipates this will be to the PLP's advantage; but such a manoeuvre might backfire. In Nassau, the opposition has been quick to point out that the Bahamas has more parliamentary seats per capita than any other Commonwealth democracy. More immediately controversial has been Sir Lynden's move to nominate his wife, Marguerite, as a parliamentary candidate. She has been regarded as a powerful behind-the-scenes figure.

Judging from the first shots in the campaign, Sir Lynden is expected to play hard on Bahamian nationalism by presenting himself as the sole person capable of standing up to the US. In this respect he can still count on a solid block of older black voters who remember his breaking the hold

of the white "Bay Street Boys" who traditionally dominated the islands' business.

The opposition, led by Mr Kendal Isaacs, QC, is expected to conduct a two-pronged attack. On the one hand they will offer an economic programme designed to encourage foreign investment and cut the role of the state. On the other it will focus on the disputes of the Pindling Government.

## Planned sting

The opposition has plenty of ammunition. In March it was revealed that the US State Department had held back a planned sting operation in Miami which aimed at snaring Sir Lynden and his top aides on bribery charges. The operation, set up for December 1984, was to culminate in the prime minister taking a cash payment from informants posing as drug smugglers, according to Mr James Rider, an organised crime investigator with the Metro Dade County police department.

After this matter was brought up in the Assembly on March 17, Sir Lynden prorogued parliament. Ostensibly, the move was made to permit a PLP

member take his seat after winning a by-election. In practice the prorogation forestalled debate on disclosures by Mr Hubert Inoué, a former cabinet minister, who had been fired in 1984 for confronting Sir Lynden with corruption allegations.

Meanwhile the US has expressed its strong displeasure in so far having failed to extradite Nassau lawyer Mr Nigel Bove to face charges that he conspired to import cocaine into the US.

Mr Bove was arrested on October 4 1986 and released on a \$1m bond. Extradition proceedings have been quashed by the Supreme Court because of "procedural error" by Bahamian authorities.

The State Department said the request has been held up on a "spurious" legal ground. Drug Enforcement Administration sources have been quoted as saying that they are very close to a case against Sir Lynden.

When Sir Bove got back here, we know he'll talk. So we know he'll never let Bove be extradited," the Washington Times reported a DEA agent saying.

## OVERSEAS NEWS

## Peres retreats in Cabinet over peace conference

BY ANDREW WHITLEY IN JERUSALEM

THE ISRAELI Labour Party yesterday stepped back from its threat to break up the coalition government, as the second round of a crucial Cabinet debate over a Middle East peace conference plan again ended in deadlock.

The failure of Mr Shimon Peres, the Foreign Minister, to force a decision represents a humiliating setback for the Labour leader, vigorously promoting a framework agreement reached last month with Jordan's King Hussein.

Last night he postponed a planned five-day visit to Washington, to consult with his Labour colleagues what their next steps should be. Further movement towards a UN-sponsored international conference is now likely to await a resolution of the convoluted political scene. With the Government's credibility gravely damaged by the fierce fighting of recent weeks over the peace plan, intensive wooing of the minority parties in the Knesset has already begun.

Aware that Labour could not muster enough support in parliament to force through a dissolution motion, Prime Minister Yitzhak Shamir, the hard-line Likud leader, yesterday stood his ground in the resumed meeting of the inner

cabinet. If Labour wanted to withdraw from the 31-month government, it was welcome to do so, the Prime Minister reportedly said.

Labour, the largest single party in the 120-member Knesset with 44 seats, could abandon the Government. But Likud with the support of other smaller parties from the religious nationalist right is capable of continuing in office as a minority administration until October 1988, the scheduled end of the Government's term.

After a 31-hour debate, it was Mr Peres who was forced yesterday to climb down, after weeks of mounting political tension which had made early elections appear inevitable. "The best solution is to go to the nation and let them decide," the Foreign Minister declared afterwards. But he made clear he would be staying on in the Government, for the moment at least, until he had won over the minority support he needs to force a break-up on Labour's terms.

Putting a brave face on his defeat, Mr Peres commented: "The Cabinet is divided, but I do not think we have to give an ultimatum to the Likud Party and I do not think Likud has to present us with an ultimatum."

## Bangladesh economy hit by slide in jute price

BANGLADESH'S economy needs an overhaul because its problems are overwhelming, heightened by a slump in the world jute market, the World Bank said, Reuter writes from Dhaka.

The Bank's confidential annual report on Bangladesh, calls for strong action to boost exports of non-traditional commodities, impose tight credit controls and evolve a better development strategy.

Nearly 80 per cent of Bangladesh's nearly 105m people live in poverty, according to Bank statistics. The country has a per capita gross domestic product of \$148.

Economists here said they agree with the Bank's forecast that the economy will shrink by at least 2 per cent this year because of a dramatic slide in the prices of jute, the country's main export.

The Bank said gross domestic product would grow at an

average 4 per cent this year, compared with 3.9 per cent last year, if the economy can maintain the development momentum initiated by the Government.

The Government has told the Bank it plans to boost agriculture, explore wider markets for jute, set up more privately owned industries and create more job opportunities.

The Bank said Bangladesh's GDP will grow faster than African countries but slower than India and China, the world's two largest low-income countries.

It said Bangladesh's balance of payments deficit is expected to fall to 6.3 per cent of GDP by June 1987 from 6.9 per cent in 1986, largely because of a reduction in imports caused by a drop in investment.

The report was presented to the annual meeting of the Bangladesh Aid Consortium in Paris last month.

## Sri Lanka plans limited autonomy

The Sri Lankan Government plans to pass a law giving limited provincial autonomy to minority Tamils to prove its sincerity in implementing a political solution to the four-year-old Tamil rebellion, a senior Cabinet minister said yesterday, Reuter reports from Colombo.

Mr Ronnie de Mel, the Finance and Planning Minister, said in an interview that President Junius Jayewardene wanted to hold elections in all nine provinces after parliament passes legislation on devolving powers to provincial councils. "It is not through, the president's intentions was that he will hold elections in seven provinces where there is peace."

## Beirut car bomb

A car bomb exploded near a main Syrian military base along the palm-lined Beirut Corniche yesterday killing a Syrian soldier and wounding two others in the second such attack since March, Lebanese police officials said, Nora Benstam reports from Beirut.

Col Ali Hammond, the chief of Syrian military observers in Lebanon, said the car blew up a few yards away from the front Syrian position and conceded that "there were some casualties among the troops."

## Smith quits party job

Mr Ian Smith the former Rhodesian Prime Minister said he had quit as leader of the Conservative Alliance of Zimbabwe, Reuter reports from Harare.

Mr Smith, who was suspended from parliament last month, said he would continue to be actively involved in politics.

A UNITED NATIONS panel of experts has again unanimously determined that Iraq employed chemical weapons in its war with Iran in what they called "one of the gravest infringements of international norms."

For the first time since the UN began investigations of the matter in 1984, the experts — doctors from Spain, Sweden, Switzerland and Australia — reported civilian casualties. They also said that Iraqi military personnel were injured by chemical agents, which were mainly mustard gas but possibly also phosgene.

Nerve agents were probably used

## Police hold 175 in crackdown on Sikh extremists

BY K.L. SHARMA IN NEW DELHI

POLICE and security forces in Punjab state swooped on suspected Sikh extremists yesterday in a first move to check terrorist activity after the dismissal of the moderate government of Mr Surjit Singh Barnala on Monday night.

Among the 175 people arrested in Punjab was a minister in Mr Barnala's Cabinet believed by the police to have close contacts with the terrorists who have been

responsible for about 80 killings a month in the past few months.

The arrested minister was Mr Prem Singh Chandandajra who had the portfolio of education in Mr Barnala's Cabinet. The quick arrest follows the report by the Punjab governor recommending dismissal of the state government and imposition of President's rule in Punjab.

One of the reasons he gave for this was that many

ministers had close contacts with terrorists.

Mr Barnala yesterday condemned the arrest of Mr Chandandajra and claimed that this was done to damage the image of his Akali Party and former ministers in his Cabinet.

Maintenance of law and order in Punjab is now under the direct charge of Mr Julius Ribes, the police chief who has been given a year's extension in his job by the Punjab governor.

Mr Ribes was recently involved in exchanges with one of Mr Barnala's ministers over his charge that senior politicians were in league with hardcore terrorists.

The decision to impose President's rule has had a mixed reception and many opposition leaders have accused Mr Rajiv Gandhi, the Prime Minister, of taking the decision to do so to promote

the chances of his Congress-I Party in Haryana state elections to be held on June 17.

Mr Gandhi has lost a series of state elections in recent months and needs a victory in Haryana to show that he is capable of winning votes.

Haryana stands to lose Chandigarh as its capital as well as irrigation water if the Punjab peace agreement signed by Mr Gandhi and the Sikhs is implemented.

party developments also "indicate a high level of confidence," he said.

The statement at the territory's weekly Legislative Council meeting came just a week after the publication of a survey that showed those lacking confidence in Hong Kong's future had grown from 14 per cent of the population in 1985 to 27 per cent today.

The survey also indicated that more than a third of Hong Kong's professionals already had foreign passports, or were trying to get them.

While not disputing the survey's findings, Mr Ford recalled a worldwide Gallup poll published five months ago that showed Hong Kong people were more confident about the future than any of the other 30 countries surveyed.

While not concealing that many in Hong Kong were apprehensive, Mr Ford said the territory had "every reason to face its future with a good deal more confidence than many other places."

## AUSTRALIAN BUDGET

## Keating aims for 2½% growth

BY CHRIS SHERWELL IN SYDNEY

THE following are the details of yesterday's Australian mini-budget.

● The government has assumed a gross domestic product will show real growth of around 2.5 per cent in 1987-88, probably one point higher than this year.

● The consumer price index is assumed to rise 7.25 per cent in the year, lower than the current 9.5 per cent rate.

● The assumed Australian dollar exchange rate is the average for the March quarter, implying a value of 54 for the trade weighted index (May 1970=100) against the present level of 64.

● The A\$1bn (\$425m) cut in payments to state governments is not negotiable. The premiers' conference later this month will have to decide whether the cuts come in revenue grants or capital assistance, and also whether to accept another A\$1bn cut in 1988-89.

● The defence budget will suffer a real 1 per cent cut in 1987-88, saving A\$350m, and show 1 per cent growth in 1988-89 and 2 per cent in 1989-1990. This is well short of the 3 per cent growth per year originally planned. Total social security savings are put at A\$408m.

● Unemployment benefits for 16- and 17-year-olds will be abolished, to be replaced with a job search allowance. The aim is to eliminate the incentive for young people to leave school and go onto welfare.

In his address, Mr Paul Keating, the Treasurer, said Australia was winning in its bid to reverse the deterioration in its economic circumstances.

"For the first time in its history Australia now stands on the verge of breaking away from its precarious dependence on a narrow range of primary exports," he said.

The government was freeing the country from "the dictates of the international financial markets," he said. "We are clawing back Australia's financial independence. But to see this process through we cannot relax for a moment."

Foreign aid will suffer a further cut of A\$20m in 1987-88 and in 1988-89, in part because of a rise in overseas student charges. Last August aid was cut by A\$70m.

Family allowances will no longer go to those with a joint parental income of more than A\$50,000 (rising by A\$2,000 per child for the second and subsequent children). Social security should be about providing assistance to those in need, Mr Keating said.

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## Claim of flagging Hong Kong confidence denied

BY DAVID DODWELL IN HONG KONG

MR DAVID FORD, head of Hong Kong's civil service, yesterday challenged recent claims that confidence in the territory was flagging, and pointed to increased home ownership, heavy investment in substantial construction projects, and the return of many emigrants to work in the territory, to support his challenge. Hong Kong reverts to Chinese sovereignty in 1997.

Mr Ford told legislative councillors yesterday that when the Hong Kong Government last year put 13,000 flats up for sale under its home ownership scheme, almost a quarter of a million people tried to buy one.

"For the first time in its history a growing number of people want to own their own homes is a 'fair indicator' of steady confidence," he said.

Retained imports of industrial machinery, an important indicator of confidence in the manufacturing sector, rose by 26 per cent, he said. Massive private sector investment in infrastructure projects—such as a second cross-harbour tunnel, the container port, and big pro-

party developments also "indicate a high level of confidence," he said.

The statement at the territory's weekly Legislative Council meeting came just a week after the publication of a survey that showed those lacking confidence in Hong Kong's future had grown from 14 per cent of the population in 1985 to 27 per cent today.

The survey also indicated that more than a third of Hong Kong's professionals already had foreign passports, or were trying to get them.

While not disputing the survey's findings, Mr Ford recalled a worldwide Gallup poll published five months ago that showed Hong Kong people were more confident about the future than any of the other 30 countries surveyed.

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Family allowances will no longer go to those with a joint parental income of more than A\$50,



# ROBSON RHODES

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VISIONARY?

WHO'S INTERESTED IN THE UNIQUE PROBLEMS OF  
FAST GROWING BUSINESSES?

ARTIFICIAL INTELLIGENCE HAS REAL POTENTIAL  
WHO KNOWS?

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RATHER THAN THE 7-DAY VARIETY?

IS CORP FIN A DEAD END?

RUMPOLE HASN'T CALLED US IN YET BUT A  
NUMBER OF LEARNED GENTLEMEN HAVE!

IS THERE A NORTH?  
SOUTH?

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## WORLD TRADE NEWS

Details have been agreed for an unprecedented co-operative effort, Louise Kehoe reports from Dallas

## Bid to make US world leader in semiconductor technology

THE US semiconductor industry has agreed an unprecedented co-operative effort to re-establish the US as the world leader in semiconductor chip technology.

By pooling resources and talents, with government backing, the US chip makers aim to accelerate development of chip production technology and overtake Japanese competitors.

The project, called Sematech, has received the industry's official approval with the unanimous vote of the Board of Directors of the Semiconductor Industry Association, a trade group representing the US industry.

After months of debate over the size and scope of the project, Sematech will now move ahead in top gear.

"We will begin efforts immediately to raise funds, to find executives to run Sematech and to select a manufacturing site," said Mr Charles Sporek, president of National Semiconductor, who has spearheaded the project.

"We aim to have it up and running by this fall. Sematech plans to produce its first chips by the second half of 1988 and to achieve parity with Japanese manufacturing technology by 1990."

The project is an ambitious one, Mr Sporek acknowledges. It is, however, "absolutely essential that it is launched without delay to stop the erosion of America's semiconductor industry by subsidised foreign competitors."

"As an industry and a nation, we must make leadership in micro-electronics a national priority."

The cost of Sematech, \$1.5bn (\$937m) over six years, is too much for any one company or even the entire industry to bear, Mr Sporek went on. The chip makers are seeking half the funds for their project from the US Government. Member-companies will, however, be required to contribute 1 per cent of their semiconductor revenues to the effort.

Originally, Sematech was to have involved the large-scale manufacture of memory chips, a market sector in which US manufacturers have lost out to Japanese competitors.

The prospect of a co-operative manufacturing organisation supported by government funds was, however, too radical for some of the industry's Washington supporters.

It was also proposed by key industry participants, including IBM and Texas Instruments, both of which have major memory manufacturing operations. The final plan "represents the collective thinking of the industry. As competitors, we battle for markets and sales, but in our desire to see this industry succeed, we stand united," Mr Sporek declared.

With this bold decision, the US semiconductor industry is

**'Sematech plans to produce its first chips by the second half of 1988, and to achieve parity with Japanese manufacturing technology by 1990,' Mr Charles Sporek, (right) who spearheaded the project says**



telling the world we are united in our determination to lead the industry we invented."

As described by Mr Sporek and a group of industry executives in Dallas, Sematech will set out to develop next generation semiconductor production processes, materials, tools and test equipment.

Member-companies will contribute funds and lend engineers—"the best in their fields"—to the project.

Sematech will set up its own pilot production line on which new technology will be proved, but will not manufacture commercial products. The product

"vehicle" for Sematech technology will, however, be memory-chips, industry executives said.

Once developed, Sematech technology will be made available to member-companies. The success of the projects will depend heavily on the effective transfer of technology to its members.

This transfer has proved to be a pitfall for other co-operative research efforts, but Sematech which will undertake development of commercially applicable processes and equipment, should face less problems, Mr Sporek believes.

Sematech may licence non-members to use its technology, but the US industry group aims to provide American companies with an advantage over foreign competitors. Only US companies will be eligible to join Sematech.

Further restrictions on the transfer of Sematech technology might be imposed by the US Government, if it provides funds for the project.

While Sematech supporters are confident they will win government backing, probably through the Department of Defence which is increasingly concerned about the health of an industry which supplies critical components for weapon systems, it remains to be seen what "strings" may be attached to government funds.

Already, semiconductor industry executives acknowledge that foreign nationals working in the US semiconductor industry may be precluded from working at Sematech. This represents a real limitation, since half of all electronic engineering graduates in the US are foreigners.

Government overview of Sematech should be at arm's length, industry executives say. But they may be forced to accept much closer Defence Department involvement in the direction of the project.

Until the industry presents its Sematech plans in Washington, it is impossible to predict what the "price" of government funding will be.

The issue of government regulation of Sematech may be critical. Key participants in the project, including US semiconductor production equipment makers, are reluctant to accept close government involvement.

Critics of Sematech also say that the value of the project would be significantly reduced if it is directed towards military rather than commercial application.

Another hurdle still to be overcome by Sematech is to win the wholehearted support of the US semiconductor production equipment and materials industries.

Although it seems unlikely that these suppliers to the chip-makers would decline the business opportunities raised by Sematech, some of the biggest buyers of US equipment are Japanese, and the production equipment makers have been reluctant to take sides in the US-Japanese chip battle.

Sematech does, however, have some powerful supporters, including IBM, which has strongly allied itself with the project.

As both a major buyer of chips and a major producer, IBM has a strong interest in the future of both the semiconductor production equipment and the semiconductor industries in the US.

IBM's endorsement of Sematech, along with that of other major US computer and electronics companies, has helped persuade Washington law makers that what is at stake in the

declining competitiveness of the US chip market, is much more than the future of the relatively small semiconductor industry.

"There is increasing recognition in Washington of the dependency of broad industry sectors on semiconductors," Mr Alan Wolff, the semiconductor industry's Washington Counsel, said.

Already Sematech has won broad support in Washington and appropriations for the project have been included in defence and trade bills.

With its approval of an operating plan, the industry will now begin an intense lobbying campaign to obtain full funding. Legislative actions may also be needed to clear anti-trust barriers.

To maintain the momentum behind Sematech, 13 of the leading US chip makers, who are represented on the board of the Semiconductor Industry Association, have agreed to provide start-up funds of a few million dollars.

Most if not all of the 13 companies are expected to become members of Sematech. They include Intel, National Semiconductor, Advanced Micro Devices, Monolithic Memories, LSI Logic, Texas Instruments, and Motorola.

Also involved are Harris and Rockwell, IBM, Digital Equipment, Hewlett Packard and AT & T. Eventually, Sematech may have as many as 30 member-companies.

## Tokyo has record surplus with Washington

By Carla Rapoport in Tokyo

JAPAN'S TRADE surplus with the US rose to a record in April, despite the year's continued appreciation against the dollar.

According to custom-cleared figures for the month, Japan's overall surplus jumped by more than 10 per cent to \$7.6bn (\$4.75bn). Exports were up 19 per cent, for the second biggest monthly figure on record. The surplus with the US in the month hit a record \$5.1bn.

In year terms, however, exports fell 9.8 per cent with the 18th consecutive monthly drop. Car and videocassette recorders, for example, dropped by 14.4 per cent and 48.7 per cent respectively.

But imports in year terms also dropped, giving Japan another large trade surplus for month in terms of that currency.

In dollar terms, those products which showed the sharpest rise in exports were electronic, mechanical and transport machinery, as well as chemicals. Imports which went up during the month included foodstuffs.

Exports to the US increased 6 per cent to \$7.4bn, the third highest monthly total on record. But imports rose less than 1 per cent to \$2.3bn, leaving the largest monthly imbalance in favour of Japan.

## Merger talks force delay on SAS contract

SAS, Scandinavia's flag carrier, is to postpone until September a decision on a major aircraft order, mainly because of the talks on a possible merger with Sabena, the Belgian airline, Reuters reports from Stockholm.

SAS signed a letter of intent on a 5Xr 10bn (£1bn) order for 12 McDonnell Douglas MD-11 airliners in December, but later threatened to cancel it after receiving a lower counterbid from the European Airbus consortium which is offering the proposed A-340 long-range airliner.

The choice of aircraft would be affected by the prospects of "joint fleet planning" with Sabena, SAS said.

## Anglo American Coal Corporation Limited

(Incorporated in the Republic of South Africa)

Company Registration Number 01/01489/06

## RESULTS FOR THE YEAR ENDED MARCH 31 1987 AND DECLARATION OF FINAL DIVIDEND

|   | 1987       | 1986       |
|---|------------|------------|
| Turnover  | 1 182 237  | 1 075 424  |
| Profit before amortisation, depreciation and taxation                         | 455 437    | 491 135    |
| Deduct:   |            |            |
| Amortisation of mining assets   | 30 981     | 27 991     |
| Depreciation of refractory assets   | 6 745      | 7 342      |
|   | 37 726     | 35 333     |
| Profit before taxation  | 417 698    | 455 802    |
| Deduct:   |            |            |
| Taxation—Normal   | 141 332    | 162 470    |
| —Deferred tax benefits  | 81 596     | 86 519     |
|   | 222 928    | 248 989    |
| Profit after taxation   | 194 769    | 206 813    |
| Deduct: Earnings attributable to outside shareholders in subsidiary companies | 3 875      | 3 379      |
| Earnings attributable to Anglo American shareholders                          | 190 894    | 203 434    |
| Dividends declared:   |            |            |
| No. 127 of 80 cents per share declared November 11 1986                       | 19 532     | 19 532     |
| No. 128 of 160 cents per share declared May 13 1987                           | 39 194     | 39 104     |
| Total dividends   | 58 656     | 58 636     |
| Number of shares in issue   | 24 439 890 | 24 439 890 |
| Earnings per share (cents)  | 781.1      | 832.4      |
| Dividends per share (cents)   | 240.0      | 240.0      |
| Interim   | 80.0       | 80.0       |
| Final   | 160.0      | 160.0      |
| Dividend cover  | 3.25       | 3.47       |
| Net expenditure on fixed and mining assets                                    | 180 158    | 192 355    |

## COMMENTS

- Total sales of coal and coke for the year were 40.9 million tons, compared with 37.3 million tons sold during last year. The increase in sales was largely due to higher sales to Escom.
- Earnings for the year, at R190 894 000, were 8.2 per cent below those achieved in the previous year. As anticipated in the interim report, earnings for the second half of the year were lower due to lesser rand realisations from coal exports with a continued decline in US dollar prices and a strengthening of the rand/US dollar exchange rate. Earnings for the second six months of the year were R87 281 000, 15.3 per cent below the R103 613 000 earned in the first half of the year.
- A final dividend of 160 cents per share has been declared, resulting in a total maintained dividend of 340 cents per share for the year.
- Income from coal exports will reduce further in the current year as a result of low US dollar prices, the strengthening of the rand/US dollar exchange rate and the increase in the cost of raising coal to Richards Bay. This reduction in income will not be offset by increased earnings in the domestic market and the Group's total earnings for the current year are expected to be substantially lower than those for the year just completed. However, Anglo's financial strength and the covered dividend will ensure, barring unforeseen circumstances, a maintained dividend for 1987.

The annual report for the year ended March 31 1987 will be posted to members on or about May 19 1987.

## DIVIDEND No. 128

Dividend No. 128 of 160 cents per share (1986: 160 cents per share), being the final dividend for the year ended March 31 1987 has been declared payable on July 3 1987 to members registered in the books of the company at the close of business on May 29 1987. This dividend, together with the interim dividend No. 127 of 80 cents per share declared on November 11 1986, makes a total of 240 cents per share (1986: 240 cents per share) for the year.

The transfer registers and registers of members will be closed from May 30 to June 14 1987 both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about July 2 1987. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on June 2 1987 of the rand value of their dividends, less appropriate taxes. Any such shareholders may, however, elect to be paid in South African currency provided that the request is received at the offices of the company's transfer secretaries in Johannesburg or the United Kingdom on or before May 29 1987. The effective rate of non-resident shareholders' tax is 15 per cent.

The dividend is payable subject to conditions which can be inspected at the head and London Offices of the company and at the offices of the company's transfer secretaries in Johannesburg and the United Kingdom.

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May 13 1987

## Argentina and US in talks on Gatt round

By Tim Coome in Buenos Aires  
EXPLORATORY talks have taken place between the US and Argentine Governments over adopting a common approach in the current round of Gatt talks.

Mr Charles Blum, a senior US trade representative, and under-secretary at the White House, spent three days in Argentina this week, meeting local trade officials and representatives of the private sector.

He said later that his talks had been "constructive" and that there existed "room for significant collaboration" with Argentina. In the current Uruguay Round of Gatt talks, the US and Argentina's aims were threefold:

● To eliminate all export subsidies on agricultural products;

● To "disconnect" other government subsidies related to agricultural production in order to reduce world over-production;

● To reduce import barriers to trade.

"Like Argentina, we are also a debtor nation and have to raise exports to service our debts," Mr Blum added. We have placed all our trading practices on the negotiating table without exception and in return we are asking our trading partners to do the same.

Mr Blum insisted that his talks in Argentina had been only preliminary and was not prepared to reveal *quid pro quo* that the US was seeking from Argentina before moving towards the reduction of US agricultural subsidies being sought.

However, economy officials in Buenos Aires say that in previous discussions, the US has been looking for a significant opening up of the Argentine market in services.

Argentine industry also benefits from substantial tariff protection which the government at present reviews in part of a series of policy measures aimed at streamlining the economy.

## Kuwait oil field order goes to UK

By James Buxton, Scottish Correspondent

A UK company which specialises in oilfield maintenance has won a £2m contract to service equipment in all the production oilfields operated by the Kuwait Oil Company (KOC) in Kuwait.

Wood Group Engineering, of Aberdeen a subsidiary of the John Wood Group, is to maintain mechanical machinery and associated plant and instrumentation for KOC over four years.

The contract is the first that Wood Group Engineering has won to carry out maintenance work on the ground in the Middle East, although it already services gas turbines from Middle Eastern countries which are shipped to Aberdeen.

Award of the contract results from a drive by the company to seek overseas work following the recent downturn in North Sea exploration and development.

Companies in Aberdeen—and the British Government—are anxious to promote the city as a centre of international oilfield expertise rather than just a centre for the North Sea.

## Cyprus, EC near customs pact

BY TIM DICKSON IN BRUSSELS

CYPRUS and the European Community appear close to agreement on a proposed customs union which will lead to the removal of each other's trade barriers.

Officials at the European Commission are confident that Cyprus will shortly give the final go-ahead to the plan, final details of which were ironed out in talks last week.

Cyprus is already linked to the EC by a 1973 Association Agreement which provides preferential trade treatment.

Under the new customs union, all customs duties and quotas for industrial products and some agricultural products (such as fruit, vegetables and wine) will be dismantled by 1997.

Under a second phase "accompanying policies" such as implementation in Cyprus of the EC's competition and consumer rules would be introduced.

The EC is the Mediterranean island's main trading partner, accounting for 54 per cent of its exports. Latest figures show that EC exports amount to around £200m with Cyprus exports to the Community around £60m.

The Customs union has been negotiated by the European Commission on the basis of mandates for several Mediterranean countries from member-states. The request originally came from Cyprus, which is keen to

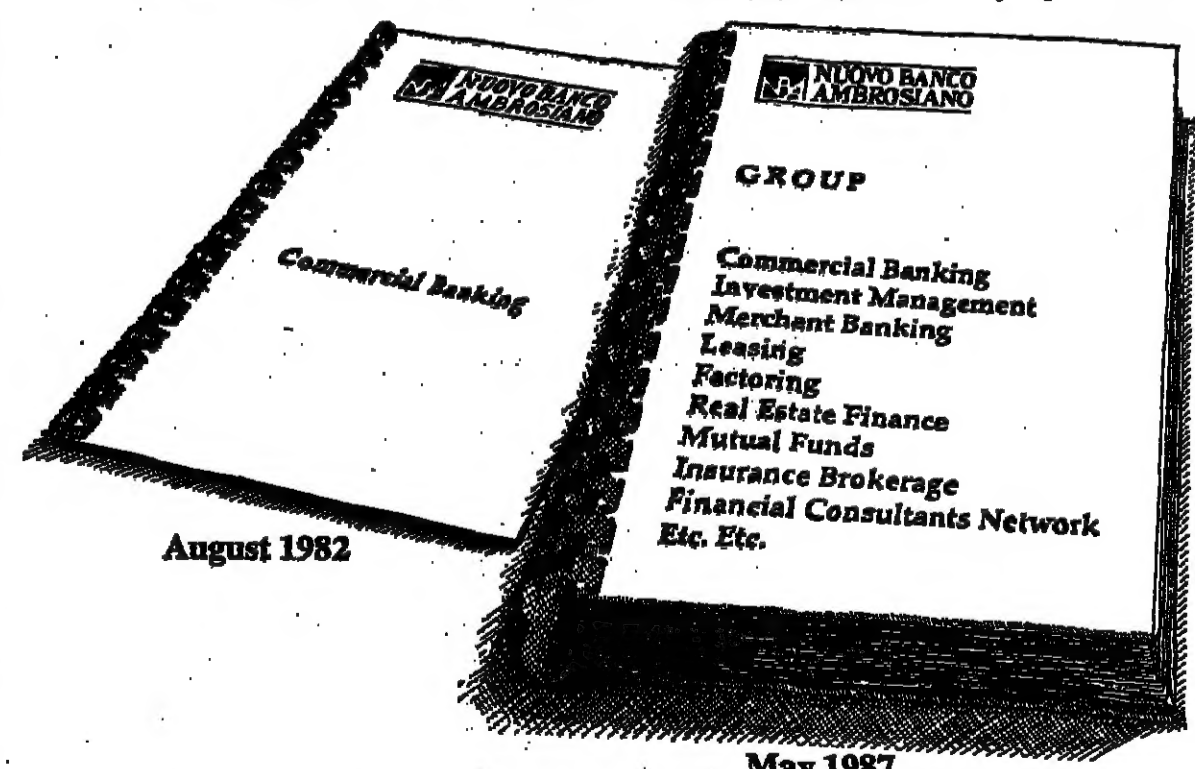
establish closer political as well as economic links with the European Community.

The agreement will cover the whole island, even though the negotiations have only been with the official Government.

David Barchard reports: Turkey is expected to invite tenders shortly for a new 1,200 Mw dual-fired gas power plant at Ambarli to supply over 10kwh a year to Turkish industry.

The Turkish Electrical Authority TEK is understood to have had exploratory contacts with a number of foreign and local companies including Brown Boveri of West Germany.

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## UK NEWS

## Labour pushed into third place in polls

BY PETER RIDDELL, POLITICAL EDITOR

THE LABOUR PARTY last night suffered a setback at the start of the general election campaign as new opinion polls showed its support at below 30 per cent, with one putting it in third place behind the Social Democratic Party/Liberal Alliance.

A Gallup survey in today's Daily Telegraph puts the Conservatives at 38 per cent, ahead of the Alliance on 30 per cent and Labour on 28 per cent. This would give the Conservatives an overall House of Commons majority of between 50 and 60.

A Marplan survey for the Guardian puts the Tories on 43 per cent, compared with 29 per cent for Labour and 25 per cent for the Alliance.

These surveys, both based on interviews over the weekend before Monday's formal announcement of the election, have to be treated with some caution, since they show contrasting movements in Tory support over the past month.

But the standard rating of Labour at below 30 per cent is a blow to party morale, since previous surveys had been pointing to a recovery in the party's standing to around 32 per cent, with a widening gap over the Alliance.

The BBC yesterday announced details of what it described as its most extensive and sustained general election coverage ever. It will spend an additional £5m and devote increased airtime developing discussions on the issues behind the campaign.

A Labour spokesman last night tried to put a brave face on the results. "These polls are not credible and are not even consistent with each other."

He argued that the election was not about polls but about winning seats in the House of Commons. "Only Labour can win enough seats to beat Mrs Thatcher and by concentrating on our policies and not being distracted every day by the polls, that's exactly what we will do."

● A major programme of constitutional changes was launched yesterday by the SDP/Liberal Alliance as a centrepiece of its forthcoming manifesto.

This will involve proportional representation reform of the law on official secrecy and confidentiality, incorporation of the European Con-

vention of Human Rights into British law, devolution throughout the UK, and reform of procedures at Whitehall and Westminster.

The proposals are intended, according to Mr David Steel, the Liberal leader, to offer "both a new government for Britain and a new system of government."

Dr David Owen, the SDP leader, said the changes necessary for Britain could not be achieved without measures that "will allow the voice of the majority to challenge the minority, and the voice of the minority and the individual to be protected by rights entrenched in our constitution."

Both leaders stressed the need for progress towards proportional representation to be a central feature of any post-election negotiations. If there was a hung parliament, he said, proportional representation for local government would restore its "credibility and competence."

They stressed that their proposed reforms would only be possible if the Alliance either came to power on its own, or shared power in a coalition.

## Spy satellite project funding did not need Parliament's approval

BY LYNTON MCLEAN

THE SECRET British Zircon spy satellite project did not have to be included in Ministry of Defence (MoD) statements to the House of Commons, MPs were told yesterday.

MPs were briefed on the project by Mr George Younger, the Defence Secretary. But their request for improvements in financial information on defence projects was "not related to the circumstances of the Zircon disclosure."

A weekly left-wing magazine, the New Statesman, claimed in January that the cost of the Zircon project had breached the threshold at which it should have been reported to Parliament. The major projects statement from the MoD includes projects for which the Treasury has authorised expenditure in excess of £250m.

Projects expected to exceed this are included when expenditure on project definition has reached £10m.

The defence committee of MPs was given additional information about the Zircon project, and it was this that led them to conclude that the project did not have to be included in MoD project statements to the House of Commons.

The major projects statement includes expenditure to date, in service dates, the estimated total ex-

penditure when work was first approved by the Treasury, and the current estimate.

Annexes show estimates of possible additional expenditure, included in internal MoD budgetary projections, but not yet approved as part of the defence equipment programme.

But while the MPs found that "there are no grounds for supposing that the Zircon project should have been included in the major projects statement as submitted to us, given the present rules for the compilation of that statement," they stated that the major projects statement "falls short of meeting our requirements."

"The threshold for inclusion of a project is too high," they added. "Defence projects costing less than £250m may be extremely significant. We do not consider that so high a threshold allows us adequately to discharge our obligations to the House of Commons or to the taxpayer."

From next year, the MoD has agreed to submit annually to the House of Commons defence committee a table, the defence equipment project report covering equipment projects which have entered full development, with Treasury approval, and are estimated to cost £25m or more for development and £50m for production.

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## Kinnock cracks a whip for the media circus

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR NEIL KINNOCK, the Labour leader, earlier this week summed up his attitude towards a media he mistrusts but which, whether he likes it or not, is about to play a critical role in determining his political future.

In a television interview which touched on the antics of the so-called "loony left" (extremists), he tried to put the issue in its correct perspective, describing it as, "at most, an unimportant shaving on the great body of the Labour movement."

His perception of the extent of the problem appears to differ from that of much of the electorate and it is a gap in understanding which he blames largely on newspapers, whose sense of proportion is strictly aligned to their prevailing political allegiances.

In the interview, he went on to claim that, with a fairer press, the "loony left" issue would have been balanced by an examination of Tory extremism - what he dubs the "narrow right".

But, in a telling reference to his relationship with a media circus poised to dissect his every word and already straining to hear the first signs that his famous, inflamed larynx is about to let him down, Mr Kinnock said that he was not "whingeing."

With a fatalistic sigh and slightly forced grin, he emphasised that the political allegiances of most sections of the press were a fact of life with which Labour had to live.

Few parties or party leaders ever feel they receive a fair deal from the news media and Mr Kinnock, who seems to prefer television to newspapers, is no different.

The Labour leader's relationship with the press has, inevitably, changed since he first arrived as a



Mr Neil Kinnock: relying on television

parliamentary novice at Westminster, in 1970. Although journalists' recollections of long, convivial evenings in the bar with the new boy from Bedwellty, in south Wales, may have been overplayed, he certainly welcomed the company of some newspaper men and women in his early years at the House of Commons. A few remain close friends.

As leader, however, his opinion is now somewhat less enthusiastic and his attitude, perhaps quite understandably, appears increasingly conditioned by his fate at the hands of sensation-seeking headline writers who seem to him, to measure the truth in type-size.

The ill-fated trip to see President Reagan earlier this year, a follow-up to the even less auspicious US visit in 1986, did nothing to improve relationships and helped convince the Labour leadership that the next election campaign would have to be handled differently.

But Labour is sometimes accused of being too ready to blame the press for its own mistakes. Despite the leadership's apparent conviction that it was the travelling press corps which conspired to wreck his

White House venture, the real damage was inflicted by a critical, if less than forthright, US administration which chose to pursue one line in the privacy of the Oval Office and another in the nearby press briefing room.

However, much the concept of a Tory press conspiracy fitted Labour's own prejudices, the blame lay not with the small group of reporters accompanying Mr Kinnock on a visit which even some of his closest and most respected colleagues warned him against.

The Labour leader himself is not, however, foolish enough to lay all the blame for a bad press on the doorstep of Fleet Street or to overestimate its ability to make or break him.

He, along with many of his senior colleagues, openly recognise that some of Labour's recent wounds have been self-inflicted and that, given the kaleidoscope of opinion which his party embraces, there will always be room for potentially problematic renegotiations.

He acknowledges that public squabbles over defence policy and internal rows over black sections will inevitably, and sometimes fairly, attract attention, and only recently he was forced to tell the latest group of dissidents to "shut up."

Mr Kinnock will be relying primarily on television to get his message across, hoping it will enable him and his shadow Cabinet to have more influence over setting the daily agenda and in spelling out the basic components of the manifesto.

There will certainly be those in the media intent on catching out both him and his team. Their success or failure will lie at least partly in Labour's own ability to stick to the central issues.

## Jaguar cars recalled

BY JOHN GRIFFITHS

JAGUAR IS recalling the 4,800 new XJ6 models sold so far in the UK for modifications to the brake servo system.

The company attributed the recall to "isolated incidents" of machining debris being found in the servo system's hydraulic circuits.

All cars shipped to Jaguar's largest market, the US - where the new XJ6 went on sale on May 4 - had already been modified, the company said. Some affected cars may have found their way into markets elsewhere in the world, for which "where necessary, separate arrangements are being made," a statement declared.

It was issued after rumours of problems with the new car swept the stock market in London, and

unsettled the Jaguar share price.

Jaguar emphasised that even where the presence of debris could cause loss of power assistance to the brakes, this would occur only after 12 further brake applications from an initial warning sign being displayed on the dashboard.

After this point, the brakes would remain operative but require increased pedal pressure to be effective.

Jaguar refused to name the supplier of the component involved in the recall. But the terms set out for suppliers, shortly after chairman Sir John Egan first joined Jaguar in 1980, were that the producer of any faulty components should bear the main financial burden of rectification.

## Thatcher to open Tory campaign

By James Buxton

THERE IS irony in the fact that Mrs Margaret Thatcher, Prime Minister, will tomorrow night launch what she hopes will be a triumphant general election campaign on a platform in Scotland - where the party is lying in third place in the opinion polls and is widely expected to lose seats.

But Tory morale will be boosted by a Mori survey in today's Scotsman newspaper showing a six percentage point increase in its support over the past month to 25 per cent, with Labour's rating down from 47 to 43 per cent, and the Alliance also dropping back.

Mrs Thatcher will be addressing the rally at the end of the annual Scottish Conservative Party conference in Perth. The conference, which starts this morning, has been compressed from three days to two because of the impending general election.

But it will still provide a timely showcase for the wares of the Conservative Party, with at least six Cabinet ministers in attendance, and a rallying occasion for the party workers. Very few indeed of the motions submitted by local associations to the conference contained any hint of dissent and the motions actually selected for debate are predictably bland.

The Scottish association, insists that the party is confident of actually winning more seats in the general election. It currently holds 21 of the 72 Scottish seats, with Labour holding 41, the Alliance eight and the Scottish National Party (SNP) two.

Naturally the party's opponents do not agree. They point to the most recent System Three opinion poll which put the Conservatives at 21 per cent, ahead only of the SNP with 13 per cent, but behind the Alliance with 22 per cent and far behind Labour at 42 per cent. In the 1983 general election the Tories took 28 per cent of the popular vote in Scotland, against Labour's 35 per cent.

In terms of seats 12 Conservative MPs have majorities of less than 10 per cent. Tory MPs face threats in different parts of the country from the Alliance, Labour and the SNP.

The Thatcher revolution was always unlikely to grow deep roots in a part of Britain where unemployment has long been relatively high.

This advertisement does not constitute an offer for sale of or subscription for shares in Kestrel Limited. Applications for shares in Kestrel Limited will only be considered on the basis of an explanatory memorandum issued by the Company and dated 20th October 1986. In the UK the explanatory memorandum may only be obtained by post or by direct mail or otherwise as directed at the end of the advertisement.

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Kestrel Limited is a sterling based, open-ended futures fund incorporated in Bermuda advised by J.M. Harwood & Company Ltd and offering high potential returns based on their proven track-record in the international futures markets.

Kestrel Limited's trading policies are based on trading systems used by J.M. Harwood in relation to a private discretionary account traded from October 1981 until October 1986. During this period an average annual growth of 4-40.4% was achieved.

Kestrel Limited began trading in December 1986. During its first four months (to end-March 1987), the Fund has already gained 12.4%, rising from the initial offer price of £10 to £11.24.

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Licensed Dealer in Securities  
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For further information about Kestrel Limited, please send this coupon to the address below.

Name \_\_\_\_\_  
Surname \_\_\_\_\_  
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Please telephone me if necessary on \_\_\_\_\_

## NOTICE OF MERGER

To the Holders of

## VIACOM INTERNATIONAL INC.

5% Convertible Subordinated Debentures Due 2001

NOTICE IS HEREBY GIVEN pursuant to Section 1307 of the Indenture, dated as of June 15, 1986 (the "Indenture"), between Viacom International Inc. ("Viacom") and Morgan Guaranty Trust Company of New York, as Trustee (the "Trustee"), relating to the Company's 5% Convertible Subordinated Debentures Due 2001 (the "Debentures"), that Viacom, Arsenal Acquiring Corp. ("Acquisition") and Viacom Inc. (formerly known as Arsenal Holdings, Inc.) ("Holdings") have entered into an Agreement of Merger, dated as of March 3, 1987 (the "Merger Agreement"), pursuant to which Acquisition, a wholly-owned subsidiary of Holdings, will, subject to the satisfaction or waiver of certain conditions, be merged with and into Viacom, the "Merger". A special meeting of the shareholders of Viacom has been called for June 3, 1987 at which holders of record of Viacom common stock at the close of business on April 6, 1987 will be asked to consider and vote upon a proposal to approve and adopt the Merger Agreement. If the Merger becomes effective, each share of Viacom common stock issued and outstanding immediately prior to the effective time of the Merger (other than shares held by the Company, Holdings, Acquisition or any other subsidiary of Holdings or by holders who have perfected appraisal rights under Ohio law) will be converted into the right to receive (i) \$442.75 in cash plus an interest factor in an amount equal to simple interest on such cash amount from May 1, 1987 through the effective time of the Merger at an annual rate of 9% from May 1, 1987 through May 31, 1987 and 12% thereafter, (ii) 0.30097 of a share of 15.5% Cumulative Exchangeable Redeemable Preferred Stock, par value \$0.01 per share, of Holdings, having a liquidation preference of \$25 per share, and (iii) 0.20 of a share of Common Stock, par value \$0.01 per share, of Holdings, all subject to adjustment as provided in the Merger Agreement (collectively, as so adjusted, the "Merger Consideration"). Viacom will survive the Merger as a wholly-owned subsidiary of Holdings.

Viacom, Holdings and the Trustee have agreed upon a form of supplemental indenture, which is intended to be executed prior to the effective time of the Merger. Pursuant to such supplemental indenture, a debentureholder who converts a Debenture after the effectiveness of the Merger will receive, in lieu of Viacom common stock, the amount of cash, Holdings preferred stock and Holdings common stock which such debentureholder would have received had he converted his Debenture into Viacom common stock immediately prior to the effectiveness of the Merger.

The change in the consideration receivable by a debentureholder upon conversion of a Debenture will occur on the date the Merger becomes effective under the General Corporation Law of the State of Delaware and the General Corporation Law of the State of Ohio (the "Effective Time"), which will occur at or near such time as all of the conditions to the consummation of the Merger have been satisfied or waived. Holders of Viacom common stock outstanding at the Effective Time will be entitled to receive the Merger Consideration therefor promptly after the Effective Time. Although the Merger could be consummated as early as the date of approval of the Merger at the special meeting of Viacom shareholders, the Merger may be delayed thereafter if the conditions to the consummation of the Merger are not satisfied or waived. Accordingly, the actual date on which Viacom common stock would be exchangeable for the Merger Consideration cannot be determined at this time.

Until the Merger is effected, holders of Debentures will continue to receive common stock of Viacom upon conversion of such Debentures. The Conversion Price for the Debentures is currently \$39.875 per share of Viacom Common Stock.

Additional information concerning the Merger and related matters is set forth in the Proxy Statement/Prospectus dated May 4, 1987 of Viacom and Holdings, which will be furnished to you upon your request from Viacom International Inc., 1211 Avenue of the Americas, New York, New York 10036 (telephone (212) 575-5175).

VIACOM INTERNATIONAL INC.

May 14, 1987



FOR A WARMER WELCOME  
WORLDWIDE

THE RIGHT CHOICE



## UK NEWS

## Bank spells out need to steady interest rates

BY JANET BUSH

THE BUOYANCY of the British economy, the demand for credit and the rapid growth in broad money and asset prices are all grounds for not wanting interest rates to fall too far and too quickly, the Governor of the Bank of England said yesterday.

Equally, the Bank does not want to see the exchange rate rise because of the damage this would inflict on industrial confidence at a critical time, said Sir Robin Leigh-Pemberton. He stated that short-term British interest rates are now the only effective instrument of monetary policy.

At the same time, he acknowledged that present understanding of the precise effects of interest rates on the economy was incomplete and that the Bank's ability to determine interest rates was limited, although it still exerted a powerful influence.

"Often our aim will be to slow the momentum of an interest rate movement sought by the markets rather than obstruct it altogether," the Governor said in a speech.

In past weeks, the Bank has held out against market pressure for

lower interest rates, using intervention on foreign exchanges to limit sterling's rise, before allowing rates to be cut.

In yesterday's speech, the Governor emphasised that a policy of intervention could not be an adequate solution to a sustained conflict between domestic and external objectives, although it could help make a situation manageable for a time.

"Given the present-day scale of capital flows through the foreign exchange markets, the scale of intervention may need to be very large indeed if it is to be at all effective," he said.

He added that intervention to restrain upward pressure on the exchange rate added to domestic liquidity and produced a bulge in broad money growth as intervention could, in some cases, only be sterilised over time.

In a review of monetary policy, he applauded the progress made in recent years in bringing down inflation and maintaining steady economic growth, but added that the operation of that policy at a more technical level had been less successful.

## Japan may curb competitiveness

BY FINANCIAL TIMES REPORTERS

JAPANESE COMPANIES might have to curb their natural desire to compete, in order to reduce trade tensions with their main international trading partners, said Mr Sun-ichi Oguchi, executive vice-president of Fujitsu, at the Financial Times conference on world electronics in London yesterday.

Mr Oguchi, whose company has recently suffered from rising trade tensions with the blocking of its bid for the Fairchild semiconductor group in the US, said that Japanese companies were bred in an atmosphere of fierce domestic competition. But the country had come to realise that its industry could not succeed unless customers in other countries were also prosperous and unless specific steps were taken to alter the competitive balance in favour of overseas companies.

These moves included a further opening up in Japanese markets, an easing of regulations in Japan, the stimulation of domestic demand, voluntary restrictions on exports and extending aid to the developing countries.

Mr Oguchi added that Japan was already moving towards more open markets and reduced regulation, with the electronics and telecommunications markets already liberalised to a large extent.

The Japanese electronics industry, having achieved world dominance in consumer electronics, was now seeking a similar position in components production, said Mr Gerrit Jesel, Phillips' executive vice-president.

To respond to that challenge, and to maintain a global presence, European electronics companies were having to reshape their management strategy.

The world electronics industry, representing annual sales of about \$500bn (£225bn), was heading for even greater competitive turmoil, Mr Thomas Woodard, a director of McKinsey, told the conference.

The cost of key components, such as semiconductors, would continue to fall by orders of magnitude. This would feed through into falling hardware prices, which would blur distinctions between systems such as mainframes, mini and microcomputers.

This helped to explain the globalisation of the industry, with companies needing to sell in most major markets to recoup development costs.

Strategic alliances would continue as one response to these pressures though they were a good bit more popular than successful.

Mr James Trebley, president of Tandem Computers of the US, said that the market for on-line transaction processing had grown from \$7bn a year in the US in 1980 to \$20bn in 1986 and was expected to expand further to \$30bn in the early 1990s. The computer industry, he added, was moving away from batch processing of data towards transaction processing because of the needs of all kinds of industries - including retailers, airlines, financial services and newspapers - to use easily accessible information to

# FT

## CONFERENCE

### World electronics

speed up their reaction to market pressures.

Mr Pasquale Fiorio, managing director of the Franco-Italian semiconductor company formed by the merger of SGS and Thomson Semiconductors, said that future survival in the microchip industry would depend on being a broad-based manufacturer.

"Today there are around 300 companies spread over a range that goes down to a few million dollars and up to \$2.5bn, he said. "In the future - and here I am talking about the next six to eight years - there will be just 10 to 15 major broad-range suppliers in the billion dollar plus range, and the rest will be niche producers with turnovers at least one order of magnitude lower."

Mr Philippe Dreyfus, vice-chairman of CAP Gemini Sogefi, the French software company, described the obstacles to increased

growth in the software industry. These included skill shortages, particularly among specialist staff who understood the needs of users; the failure of management in some organisations to push for greater productivity from their data processing department; the slowness in simplifying the man-machine interface; and the lack of standards.

Dr Edgar Neufeld, director of systems integration at IBM Europe, said that his company was putting increasing emphasis on the business of combining hardware services and software into systems that offered solutions to customer problems.

Behind this move was the rapid growth in the services and software element of the information technology industry, which was currently expanding at about 20 per cent a year, and within five years was likely to account for about a half of the sales volume in the sector.

IBM, he added, would work with other companies in providing solutions, either as the prime contractor or as a sub-contractor on particular projects.

Mr François Heurte, planning and development manager at Compagnie Bancaire, analysed the differences between electronic services which had boomed, such as transactions in the financial markets, and those which were slow to grow, such as home banking. He pointed to the need to understand the real demands of customers as one of the key factors in explaining those differences.

## Harwell discourages hopes on developing petroleum substitutes

BY DAVID FISLOCK, SCIENCE EDITOR

PROSPECTS FOR making a petrol substitute at a competitive price from coal, natural gas or crops in the next two or three decades look poor, according to the latest report from the British Government's energy technology advisers.

There are many cheaper ways of making road transport fuels than petrol from coal, methanol from wood, or ethanol from sugar beet, says the Energy Technology Support Unit at Harwell, which advises the Department of Energy.

Its report ranks the estimated production cost of 15 processes, summarised in the accompanying table.

It concludes that liquefying British coal could become economic if the world oil price were to reach about \$80 per barrel, which it considers unlikely before the year 2010-2015.

The most promising processes are for cracking such liquids as heavy crude and liquefied petroleum gases (LPG), to make petrol, which may be possible for 7-10 per cent premium in present prices.

At the other end of the scale are the petrol-from-coal processes used by Sasol in South Africa, which are estimated at more than three times the cost of petrol in Europe.

Liquid hydrogen, sometimes promoted as a clean petrol substitute, is estimated to cost about the same as Sasol petrol, if produced on a large scale by electrolysis.

Petrol made from coal by the two-stage process under development by British Coal is expected to cost about double the price of petrol. The yardstick against which Mr Kevin Langley, author of the study, has gauged all process technologies is the January 1984 selling price of petrol in Europe, ex-tax, of about \$3.5 per gallon of energy.

This figure is based on a crude price of \$28 a barrel. It has since

| Process                               | Price \$ per gallon of energy |
|---------------------------------------|-------------------------------|
| Petrol from fuel oil                  | 6.00                          |
| Petrol from LPG (BP's Cyclar process) | 7.50                          |
| Methanol from natural gas (ICI)       | 8.40                          |
| Petrol from coal (British Coal)       | 10.20                         |
| Petrol from natural gas (Möbi)        | 10.60                         |
| Methanol from coal (Lurgi)            | 14.40                         |
| Methanol from wood                    | 14.70                         |
| Ethanol from sugar beet               | 15.40                         |
| Petrol from coal (Sasol II)           | 19.10                         |
| Liquid hydrogen by electrolysis       | 19.70                         |

fallen to about \$18 a barrel, during the protracted period of verifying with companies the cost estimates of the 15 processes.

But Mr Langley says that neither the fall in oil price nor lower UK coal production costs "substantially alter either the conclusions or the rationale of this report". His study has taken account of the latest estimates of cost for the conversion processes, and the technical characteristics required of synthetic fuels and whether a premium value or penalty should be assigned.

It has also weighed the extent to which any given substitute is likely to make a significant contribution to Britain's requirements, given any restraints on availability of feedstocks.

Where substitute sources of petrol are used on a large scale, as in South Africa, special conditions prevail, Mr Langley finds. Another example is the large-scale conversion of sugar to alcohol in Brazil.

A ranking of synthetic fuel options for road transport applications in the UK, ETSU report for the Department of Energy, Harwell.

## FOCUS ON INTERNATIONALISATION OF JAPANESE MANAGEMENT

## ADVERTISEMENT

**F**ounded in 1957 with the first worldwide development of the electric relay calculator, Casio has pioneered the development of new products which have underpinned its rapid growth.

New technological applications have seen Casio expand dramatically in recent years and it now makes an increasing array of digital watches, musical instruments, pocket LCD television sets and now electronic cameras.

Faster product development lies at the core of the strategy being pursued for Casio to maintain its unrivalled position as a creator of new consumer markets.

By Brian Robins

## Creating New Markets

Robins: What overall policies are guiding Casio's technological development?

Kashio: Our development policy is to make products which will create completely new markets, instead of making existing types of products.

For example, in the area of watches, we added the digital watches onto analog watches. In musical instruments, we put various types of sounds into one musical instrument. So, our products are different. As for pocket LCD TVs, we made a TV so you can take it anywhere with you and watch TV at anytime. It is a TV with entirely new concept. So our products create new markets, and are not existing products.

## Advanced technology at the core

Robins: What is at the core of Casio's technological policies?

Kashio: One of our core technologies is LSI technology, which changes information from analog to digital form. In LSI technology not only figures and characters, but also images can be processed digitally.

With LSI technology, products such as calculators, watches, musical instruments and pocket LCD TVs can be created with excellent technology.

The next area is basic device technology, particularly liquid crystal display (LCD) technology which is excellent at Casio. This has given us a particular advantage in image making technology as well. Also included here is engineering plastics processing. By replacing the conventional watch movement gears with plastics, for example, we can achieve small and thin sized watches with low production costs.

Success with these various technologies rests with our production and manufacturing technology. In the fifth building of our Kofu plant in Japan, there is complete automation, for example.

Based on these three major technologies of LSI, basic device technology and production technology, we are able to make unique products.

## New products to underpin stronger growth

Robins: Some of Casio's traditional product lines, such as electronic calculators and watches, are at the

mature end of their products cycle. What new product areas will provide strong growth in the future? For example, in recent years both pocket LCD TVs and musical keyboards have provided significant new growth. Can they continue to do so in the future?

Kashio: Calculators and watches are the major pillars of our business, but musical instruments and pocket LCD TVs are also beginning to show good growth and they have big markets.

Calculators, watches, musical instruments and pocket LCD TVs - probably these four product categories will have about the same level of sales in the future.

In addition to these products we expect good sales from liquid crystal shutter printers. Office computers and personal computers should also increase sales.

Robins: From the research and development presently underway, are you still as bullish about the future for the electronic camera, which has been the focus of attention in recent years?

Kashio: With the electronic camera, this is a completely different product to existing cameras. In the home, television sets are quite common now. This device, the camera, will allow you to see the image you have taken with the camera on the TV screen by connecting the camera directly with the television set. The camera is small and the price is inexpensive. We are aiming for high demand for the electronic camera in this manner. About 50 images can be stored in a 2 inch magnetic disc. You take a picture and immediately you can watch it on television. We would also like to have the pictures seen on the pocket TV sets which we are also making.

Of course by connecting it with a printer, hard copies can be obtained. In the future, the electronic camera will be combined with home computers and communication equipment to enable image processing.

Using various communication equipment pictures will be able to be sent electronically to remote areas. So, I think we have a great possibility for the expansion of this new product.

Robins: Apart from sales activities, what sorts of promotional activities is Casio involved in?

Kashio: One of the events is the Casio World Open Golf Tournament, which we continue to sponsor. This year is the seventh Casio World Open, and famous players come from all over the world to participate. No



Mr. Kazuo Kashio, Senior Managing Director, Casio Computer Co. Ltd.

Japanese has won so far. In 1985, Hubert Green of the US won and last year Scott Hoch from the US was the winner for the second time. I think the Casio Open has world acclaim, and is well known among golfers.

In 1984, a concert was held in Austria with Isao Tomita, which was a great success. And in September of last year in Manhattan, New York, there was another concert by Isao Tomita, which was also quite a success.

We would like to continue these kinds of events in the future.

## Overseas production under study

Robins: What steps is Casio taking

to overcome the impact of the high yen?

Kashio: This sharp appreciation of the yen is really creating problems for our company because exports make up a very important part of our business.

To solve this problem, our first major concern is to develop new products. Fortunately, with our technical background we have the capacity to create new products. So this will be the first approach to overcome the problem of the yen appreciation.

We feel that with the speed with which we have been creating new products so far, we may find it difficult to overcome the high yen problem, so the rate of product development

should be speeded up, and we have taken steps in our plants to do so.

Our first priority is to move for faster new product development, and bring new products to market quickly. In the area of sales activities, we already have various units established internationally. Now, we are studying the possibility of overseas production.

In January, we opened a subsidiary in Hong Kong and a representative office in Seoul, Korea. We want to proceed with our plans for production in different parts of the world not only to overcome the high yen but also to cope with trade friction.

Robins: In these increasingly difficult times, what guiding management philosophies is Casio following?

Kashio: The yen appreciation has occurred very rapidly and suddenly, and we learned that the existing method of management would not work.

Because the yen appreciation has been so rapid, we have been thinking of countermeasures, but they alone will not be enough. As a result, we have in mind the ideal position for our company three years from now so we are strengthening our products and the company's structure.

We are focussing on the next financial year. This is the 31st year of the company, and next year the 32nd. We are thinking of how we can achieve a 30 per cent increase in sales from the next financial year on, and what we have to do to achieve this.

The thing is with the high yen, the 30 per cent annual rate of increase we regularly achieved in the past has become difficult, nowadays.

We cannot take too many quick decisions in an unwise manner, so we are looking to the next financial year as the starting point, as the basis of providing for future growth.

# CASIO

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CASIO ELECTRONICS CO., LTD.  
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## UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

|          | Ind. prod. | Mfg. output | Eng. orders | Retail vol. | Retail value | Unemp. | Vacs. |
|----------|------------|-------------|-------------|-------------|--------------|--------|-------|
| 1985     | 100.0      | 100.0       | 100.0       | 100.0       | 100.0        | 100.0  | 100.0 |
| 1st qtr. | 100.0      | 100.0       | 100.0       | 100.0       | 100.0        | 100.0  | 100.0 |
| 2nd qtr. | 100.0      | 100.0       | 100.0       | 100.0       | 100.0        | 100.0  | 100.0 |
| 3rd qtr. | 100.0      | 100.0       | 100.0       | 100.0       | 100.0        | 100.0  | 100.0 |
| 4th qtr. | 100.0      | 100.0       | 100.0       | 100.0       | 100.0        | 100.0  | 100.0 |
| 1986     | 100.0      | 100.0       | 100.0       | 100.0       | 100.0        | 100.0  | 100.0 |
| 1st qtr. | 100.0      | 100.0       | 100.0       | 100.0       | 100.0        | 100.0  | 100.0 |
| 2nd qtr. | 100.0      | 100.0       | 100.0       | 100.0       | 100.0        | 100.0  | 100.0 |
| 3rd qtr. | 100.0      | 100.0       | 100.0       | 100.0       | 100.0        | 100.0  | 100.0 |
| 4th qtr. | 100.0      | 100.0       | 100.0       | 100.0       | 100.0        | 100.0  | 100.0 |
| 1987     | 100.0      | 100.0       | 100.0       | 100.0       | 100.0        | 100.0  | 100.0 |
| 1st qtr. | 100.0      | 100.0       | 100.0       | 100.0       | 100.0        | 100.0  | 100.0 |
| 2nd qtr. | 100.0      | 100.0       | 100.0       | 100.0       | 100.0        | 100.0  | 100.0 |
| 3rd qtr. | 100.0      | 100.0       | 100.0       | 100.0       | 100.0        | 100.0  | 100.0 |
| 4th qtr. | 100.0      | 100.0       | 100.0       | 100.0       | 100.0        | 100.0  | 100.0 |

OUTPUT—By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

|          | Consumer goods | Investment goods | Intermediate goods | Eng. output | Metal mfg. | Textiles | Housing starts |
|----------|----------------|------------------|--------------------|-------------|------------|----------|----------------|
| 1985     | 100.0          | 100.0            | 100.0              | 100.0       | 100.0      | 100.0    | 100.0          |
| 1st qtr. | 100.0          | 100.0            | 100.0              | 100.0       | 100.0      | 100.0    | 100.0          |
| 2nd qtr. | 100.0          | 100.0            | 100.0              | 100.0       | 100.0      | 100.0    | 100.0          |
| 3rd qtr. | 100.0          | 100.0            | 100.0              | 100.0       | 100.0      | 100.0    | 100.0          |
| 4th qtr. | 100.0          | 100.0            | 100.0              | 100.0       | 100.0      | 100.0    | 100.0          |
| 1986     | 100.0          | 100.0            | 100.0              | 100.0       | 100.0      | 100.0    | 100.0          |
| 1st qtr. | 100.0          | 100.0            | 100.0              | 100.0       | 100.0      | 100.0    | 100.0          |
| 2nd qtr. | 100.0          | 100.0            | 100.0              | 100.0       | 100.0      | 100.0    | 100.0          |
| 3rd qtr. | 100.0          | 100.0            | 100.0              | 100.0       | 100.0      | 100.0    | 100.0          |
| 4th qtr. | 100.0          | 100.0            | 100.0              | 100.0       | 100.0      | 100.0    | 100.0          |
| 1987     | 100.0          | 100.0            | 100.0              | 100.0       | 100.0      | 100.0    | 100.0          |
| 1st qtr. | 100.0          | 100.0            | 100.0              | 100.0       | 100.0      | 100.0    | 100.0          |
| 2nd qtr. | 100.0          | 100.0            | 100.0              | 100.0       | 100.0      | 100.0    | 100.0          |
| 3rd qtr. | 100.0          | 100.0            | 100.0              | 100.0       | 100.0      | 100.0    | 100.0          |
| 4th qtr. | 100.0          | 100.0            | 100.0              | 100.0       | 100.0      | 100.0    | 100.0          |

EXTERNAL TRADE—Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

|          | Export volume | Import volume | Visible balance | Current balance | Oil balance | Terms trade | Reserve |
|----------|---------------|---------------|-----------------|-----------------|-------------|-------------|---------|
| 1985     | 100.0         | 100.0         | 100.0           | 100.0           | 100.0       | 100.0       | 100.0   |
| 1st qtr. | 100.0         | 100.0         | 100.0           | 100.0           | 100.0       | 100.0       | 100.0   |
| 2nd qtr. | 100.0         | 100.0         | 100.0           | 100.0           | 100.0       | 100.0       | 100.0   |
| 3rd qtr. | 100.0         | 100.0         | 100.0           | 100.0           | 100.0       | 100.0       | 100.0   |
| 4th qtr. | 100.0         | 100.0         | 100.0           | 100.0           | 100.0       | 100.0       | 100.0   |
| 1986     | 100.0         | 100.0         | 100.0           | 100.0           | 100.0       | 100.0       | 100.0   |
| 1st qtr. | 100.0         | 100.0         | 100.0           | 100.0           | 100.0       | 100.0       | 100.0   |
| 2nd qtr. | 100.0         | 100.0         | 100.0           | 100.0           | 100.0       | 100.0       | 100.0   |
| 3rd qtr. | 100.0         | 100.0         | 100.0           | 100.0           | 100.0       | 100.0       | 100.0   |
| 4th qtr. | 100.0         | 100.0         | 100.0           | 100.0           | 100.0       | 100.0       | 100.0   |
| 1987     | 100.0         | 100.0         | 100.0           | 100.0           | 100.0       | 100.0       | 100.0   |
| 1st qtr. | 100.0         | 100.0         | 100.0           | 100.0           | 100.0       | 100.0       | 100.0   |
| 2nd qtr. | 100.0         | 100.0         | 100.0           | 100.0           | 100.0       | 100.0       | 100.0   |
| 3rd qtr. | 100.0         | 100.0         | 100.0           | 100.0           | 100.0       | 100.0       | 100.0   |
| 4th qtr. | 100.0         | 100.0         | 100.0           | 100.0           | 100.0       | 100.0       | 100.0   |

FINANCIAL—Money supply M0, M1 and sterling M3 (three months' growth at annual rate); bank lending to private sector; building societies' net inflow; HPI; new credit; all seasonally adjusted. Clearing Bank base rate (end period).

|                  | M0<br>% | M1<br>% | M2<br>% | Bank<br>lending | BS<br>inflow | HPI<br>exp. | Base<br>rate |
|------------------|---------|---------|---------|-----------------|--------------|-------------|--------------|
| 1985             |         |         |         |                 |              |             |              |
| 4th qtr.<br>1986 | 2.8     | 17.8    | 12.9    | +5,578          | 2,289        | 3,486       | 11.50        |
| 1st qtr.<br>1987 | 4.1     | 21.4    | 19.3    | +6,235          | 2,229        | 7,737       | 11.50        |
| 2nd qtr.<br>1987 | 4.1     | 25.9    | 27.3    | +4,438          | 1,438        | 7,979       | 10.80        |
| 3rd qtr.<br>1987 | 4.8     | 28.6    | 27.3    | +5,321          | 1,668        | 8,233       | 10.80        |
| 4th qtr.<br>1987 | 7.8     | 15.3    | 14.1    | +10,531         | 2,728        | 2,932       | 10.80        |
| September        | 6.5     | 24.3    | 17.4    | +3,986          | 2,071        | 8,970       | 10.80        |
| October          | 6.3     | 24.8    | 14.5    | +3,459          | 1,861        | 2,739       | 11.00        |
| November         | 6.4     | 25.4    | 14.5    | +2,735          | 2,255        | 2,625       | 11.80        |
| December         | 10.1    | 6.6     | 3.1     | +2,196          | 708          | 7,794       | 11.80        |
| 1987             |         |         |         |                 |              |             |              |
| January          | 1.2     | 29.7    | 12.9    | +6,616          | 1,475        | 8,981       | 10.80        |
| February         | 7.7     | 16.1    | 12.6    | +1,082          | 1,082        | 7,982       | 11.00        |
| March            | 8.1     | 11.1    | 17.3    | +2,262          | 472          | 2,948       | 11.00        |
| April            | 10.1    | 13.4    | 20.9    | +2,061          | 547          | 2,238       | 10.80        |



## UK NEWS

## Fund managers 'not taking shorter view'

HEIGHTENED demand for performance from UK fund managers has not necessarily led them to take a more short-term view of the prospects of the companies in which they invest, the Bank of England says today.

This is one of the conclusions of a survey conducted among 18 fund managers with £83.7bn, or 30 per cent of the UK equity market, under their control. Those surveyed were merchant banks, insurance companies, in-house pension funds and independent managers.

Among other findings are that fund managers tend to support the incumbent management of companies contesting takeover bids, and that the majority of managers do not routinely exercise their voting rights at shareholder meetings.

The survey was conducted because British companies have been concerned about the so-called "short-termism" of investors. They felt that the tendency to take a

Four articles included in the Bank of England's Quarterly Bulletin, published today, were released yesterday. Alexander Nicoll, Janet Bush and Ralph Atkins report

shorter-term view of investment weakened their share prices inordinately and made them vulnerable to takeover.

The results, however, tend to contradict such suspicions. Although it finds that portfolios are being managed more actively, the Bank says, "More intensive management of equity portfolios with increased turnover does not seem to mean that managers are necessarily taking a more short-term view of the prospects for companies - paying more attention to earnings in the near rather than the longer term. For a number of managers in the survey the reverse seemed to be true," the Bank says.

These managers, according to the

Bank, attempt to beat the average market performance by seeking shares judged to be undervalued relative to the fundamental strength of the company, and likely to gain relative to the market over a two or three-year period.

Most managers hold on to shares until they are outperforming the market by between 15 and 30 per cent before considering selling them.

The Bank acknowledges, however, that pressure for performance has increased and that some managers "seemed to place more reliance on market feelings and short-term fluctuations in price."

Those under particular pressure

to perform on a quarter-by-quarter basis include unit trust managers who sell units through independent intermediaries and external managers of smaller pension funds. These tended to be the most active traders of shares. Good quarterly performance was also important for winning new clients, especially from the US.

The bank criticises some pension fund trustees who it says, "seem to lay down unrealistic targets for the performance of the funds in the hands of outside managers without considering the risks that would be entailed in trying to achieve them."

Although the survey finds wide disparities between the investment techniques of different types of

manager, the turnover of shares in portfolios by all types has increased markedly over the past five years.

As well as pressure for short-term performance, this reflects the growing number of takeovers and the fall in transaction costs, particularly stamp duty, which has been cut from 2 per cent to 1 per cent since 1984.

Turnover is still, however, quite slow. Shares in insurance and pension fund portfolios are traded on average once every five years, in investment trust portfolios once every three years and in unit trust portfolios once every two years.

The Bank also said it was not clear that higher turnover was reflected in a higher return on investments. One insurance company had found that dealing costs negated the benefits of high turnover on unit trusts, and had decided to keep turnover low in future. Some merchant banks found no link between turnover and performance.

## Eurotunnel is put on right tracks after breakthrough talks

BY ANDREW TAYLOR

## EIB agrees £1bn loan facility

BY PAUL BETTS IN CALAIS

THE EUROPEAN INVESTMENT BANK (EIB) yesterday agreed to back the construction of the Channel tunnel with £1bn loans to the Anglo-French Eurotunnel consortium.

The EIB loan, coupled with a compromise agreement reached earlier this week between Eurotunnel, British Rail and the French railways, SNCF, over the price the railways will pay for use of the tunnel, has now "put the tunnel project back on the right tracks" after the uncertainties of recent months, Mr Jacques Doufflaques, the French Transport Minister, said yesterday.

Mr Doufflaques held talks with Mr David Mitchell, the British Transport Minister, in Calais after the British official visited the French tunnel construction site.

Mr Mitchell returned to London for a debate in the House of Commons last night enabling the Channel Tunnel Bill to be carried forward immediately after the general election. British officials said the legislation discussed last night would enable Parliament to pick up the passage of the Channel Tunnel Bill where it had been interrupted before the British elections.

joint chairman earlier this year, partly because it was felt that he had the tough management qualities that Eurotunnel needed if it was to succeed.

In one sense the deal will be a disappointment, given that Eurotunnel has not achieved the increase in tariffs for which it had asked. This was never likely to be conceded by the railways. Instead, they have agreed to a series of changes which will affect the timing and the way in which they make their payments.

The importance of these changes should not be underestimated. To begin with, the railways have agreed to make a minimum monthly guaranteed payment to Eurotunnel, equivalent to around 10 per cent of forecast rail tolls. Any shortfall in revenue, as a result of rail traffic falling below this minimum level, will have to be met out of BR and SNCF's other commercial operations.

Previously, the minimum usage agreement, as the railways and Eurotunnel prefer to call it, had stipu-

lated that only 40 per cent of forecast tolls would be guaranteed.

The arrangement will run for the first 12 years of the tunnel's operation and will, says Mr Morton, provide Eurotunnel with an assured source of income over this period. According to Eurotunnel, tolls will also be paid a month in advance.

The qualification that any shortfall in minimum usage payments be met out of the railways' other commercial operations is important if the railways are not to be accused of providing backdoor state guarantees, outlawed under the terms of the Channel Tunnel Bill currently before the House of Lords.

The other concession won by Eurotunnel affects the weighting of the charges to be met by the railways, which will be heavier during the early years of the tunnel's operations.

The agreement with the railways should also pave the way for Eurotunnel to conclude loan and standby credit arrangements, worth £5bn with about 40 international banks.

## Definition Bigger slice of incomes spent on servicing debt

## of money not unique

THE BANK of England intends to provide public information on the behaviour, components and counterparts of two more aggregates of broad money growth from now on, as well as the current measure, Sterling M3.

The Bank said that it had reached the inescapable conclusion that there is no unique definition of broad money.

"Any choice of dividing line between those financial assets included in, and those excluded from, broad money is to a degree arbitrary, and is likely over time to be invalidated by developments in the financial system," it said.

The Bank said that the blurring of the distinction between the activities of banks and building societies over recent years may now have reached a point where, in the interpretation of broad money, emphasis should be shifted to aggregates which include the liabilities of both of them.

The Government has already announced that it will not formally target Sterling M3 this financial year. This aggregate includes private sector holdings of bank deposits, but excludes private sector holdings of building society shares and deposits.

From now on Sterling M3 will be renamed simply "M3", while the current measure called M3, which includes all the components of Sterling M3, plus private sector holdings of foreign currency bank deposits, will be renamed M3c.

The Bank also introduces a new measure of broad money supply, which includes the components of Sterling M3 as well as building society deposits. This will be called M4. Another broad money measure, M5, monitored for some time under the name PSL2, not only includes building society deposits but also some liquid national savings instruments, Certificates of Tax Deposit and private sector holdings of money market instruments such as Treasury bills, local authority bills and bankers' acceptances.

MANY BRITISH households are now having to devote a bigger fraction of their disposable income to servicing their debt than at any time in the past two decades, according to the Bank.

This is one of the findings of an article on the financial behaviour of the personal sector between 1976 and 1985. There has been a near doubling in the real stock of liabilities held by the personal sector during the last decade which has given rise to concerns that the household sector is now becoming over-stretched.

This accumulation of debt has been accompanied by a substantial rise in net wealth, which in theory could justify increased borrowing.

However, the Bank points out that these overall trends may conceal divergent movements within different parts of the personal sec-

tor. In other words, the people building up debt are, in general, unlikely to be the same as those who are stocking up assets.

Research carried out by the Family Expenditure Survey suggests that it is mainly younger households that hold debt and older households which have assets.

Further evidence from Inland Revenue Surveys suggest that it is the younger and poorer households that face the highest debt-service ratios. Some in this category have been encouraged to take on more debt by the Government which has offered them the chance to buy council houses, the Bank comments.

The Bank points to the sharp increase in the number of households facing severe debt problems in recent years. For example, the number of houses taken into possession

in 1985 was nearly seven times the number repossessed in 1979.

Such difficulties are not a feature of the housing market alone - there has also been a rise in the number of county court actions started to recover debt.

The Bank suggests that the expansion of the mortgage market may have led to a decline in the quality of loans, but that societies must still feel that it is profitable to do this despite the likelihood of more defaults.

A broad outline of the changes in the personal sector's balance sheet during the period shows that the ratio of gross liquid assets to income fell steadily during the second half of the 1970s.

This reflected periodic restrictions on mortgage borrowing and direct monetary controls and guidance which limited bank lending.

This made it necessary for households to run down liquid assets to meet spending, rather than increasing borrowing.

In the 1980s, however, deregulation of financial markets has led to a period of intense competition in which financial institutions have not only widened the choice of assets available for personal sector funds but also offered new means of borrowing.

Liberalisation of markets could have weakened the leverage of monetary policy since those households which were previously liquidity restrained, are now able to maintain consumption levels more easily by borrowing, the Bank says.

On the other hand, the existence of a heavier debt burden may mean that spending will be more susceptible to policy-induced interest rate changes than before.

## Tax and interest rate changes affect planning

THE LONG-TERM financing decisions of companies are heavily influenced by tax and interest rate changes, says the Bank of England. It concludes that changes in the system of company taxation, introduced in the 1984 budget, may have had a profound impact on the dividend policy of companies and on the way they finance their spending.

It finds that increases in long term rates of interest reduce dividends substantially, but if short-term rates rise relative to long term rates, the amount paid out increases.

The effects of tax increases can, however, be perverse. The Bank says that higher tax payments seem to raise dividends by quite large amounts. This is because a company with higher tax payments is more likely to gain tax advantages by distributing its income.

The Bank used data from 650 companies based in the UK, and producing annual reports every year between 1980 and 1984, to model flows of funds in companies. It distinguished between short-term flows and longer term, or strategic,

financing. The results showed that the size of a company affects its actions: smaller companies reacted more to increased risk, and, in response, reduced dividends and strategic debt financed by larger companies.

Larger companies appeared happier with high levels of strategic debt and financed more of their investment spending in this way. Large companies also responded more to tax changes.

The Bank found a considerable lag between changes in a company's circumstances and its dividend and strategic debt decisions - with some effects still emerging even after two years.

Short-term flows of funds in companies tended to be volatile, suggesting this is the first line of adjustment when planning for the short run and dealing with unexpected developments.

The amount paid out in dividends was more stable, but the ratio of dividends to profits net of tax was subject to large fluctuations. This implied that dividend payouts reflected the longer term prospects of the company.

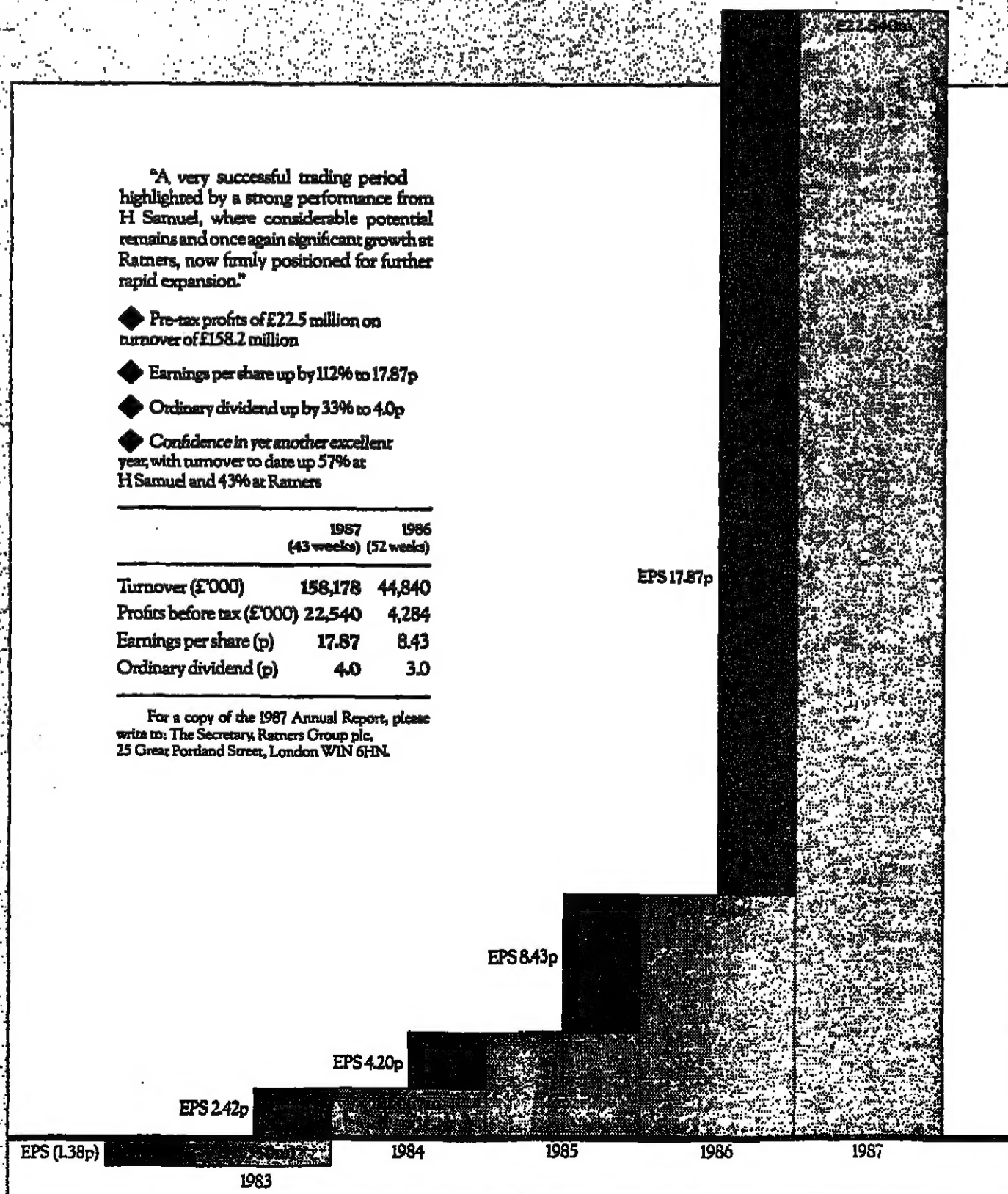
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|                            | 1987<br>(43 weeks) | 1986<br>(52 weeks) |
|----------------------------|--------------------|--------------------|
| Turnover (£'000)           | 158,178            | 44,840             |
| Profits before tax (£'000) | 22,540             | 4,284              |
| Earnings per share (p)     | 17.87              | 8.43               |
| Ordinary dividend (p)      | 4.0                | 3.0                |

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# TECHNOLOGY: Computing

## Programmer productivity

### How Chinacraft founded a software dynasty

MR BRYAN Snowden joined Chinacraft just over a year ago as data processing manager with one major objective—to take the UK fine china and potteryware group into the new world of in-store technology.

Formerly electronic point of sale (Epos) implementation manager for the Currys electrical goods chain, his job was to set up an Epos system for all 40 Chinacraft shops, together with group subsidiaries like Casa Pupo the pottery shop chain.

It took, however, only a superficial glance at Chinacraft's Barley Road, London, data processing installation to convince him that Epos would have to wait while he attended to more basic problems.

"The hardware, IBM System/34 and System/36, had too little capacity and the software was a mess," he says. "It would have been impossible to develop an effective Epos system on that basis."

Nevertheless, he is now in a position to start work on giving Chinacraft a competitive edge through Epos after clearing up the software mess in double quick time using an innovative software approach.

Epos is one of the most important steps on the road to electronic shopping; it requires that cash registers are replaced by computerised tills connected to an in-store computer. That computer is in turn linked over telecommunication

lines to a data processing centre.

The advantages brought by Epos include faster management reports, better stock control and improved marketing information.

So Mr Snowden had to find some way of implementing an advanced computing and data communications project on the back of a system that was simply not up to it. And he did not have unlimited time or money at his disposal.

Gaining competitive advantage from the use of a technology like Epos is very much a matter of a system in the right place at the right time and at the right price.

He decided to scrap Chinacraft's entire installation, hardware and software and start from scratch.

Choosing new hardware was comparatively easy—the IBM System/36, a medium-range machine with a novel design (architecture) which makes it particularly well suited to handling business files, was a clear favourite.

Rewriting all the company's business software to fit the new machine was another matter. Chinacraft had ruled out the use of packages, generalised software which would mean changes in the way the company handled its accounts, so tenders were invited from a range of software houses.

The bigger, prestigious software houses lost out on grounds of cost. "These companies are

still living in a world of mainframes and set their costs accordingly," Mr Snowden says tartly.

In the end he settled on Synon, a tiny, five-year-old company based in Islington, North London. What attracted Mr Snowden to the company was its acknowledged expertise in Synon/38 hardware and a special product, a package which would enable Chinacraft to write all its own Synon/38 software rapidly and economically.

Called Synon/2, the package is basically a set of software production tools together with an application generator, a piece of software which writes computer software automatically from very precise instructions governing what it is to do.

When Chinacraft first made contact with Synon, the package was not entirely finished; Mr Snowden was able to sell Synon computing time on his System/36 while the Synon team completed its work.

It also guaranteed a close working relationship between Chinacraft and the Synon specialists as they began to tackle the huge task of overhauling all Chinacraft's software.

There are a great many application generators in the market as well as so-called "fourth generation" languages, which are also supposed to make the production of high quality software faster and easier, Mr Snowden says, however, that he has never seen a



Bryan Snowden (right) and Bond Street managers, Greta Usher (left): Synon Chinacraft will be selling its products to the buzz of electronic registers

generator for the Synon/38 which is as complete as Synon/2. "It is a start-to-finish product," he says.

And what makes the Chinacraft development especially interesting is the production figures Mr Snowden has compiled for the project. His data processing team numbers only five in total; himself, a systems programmer, operations controller, operator and trainee operator.

Using Synon/2, however, he reckons to have generated some 1,660 programs already, some simple, others relatively complicated.

He calculates that his team is now producing a new program on average once every 1.88 hours. It all adds up to 447,000 lines of source code, software written directly by the programmer, at a rate of 114 lines

of working code per man hour. To give some idea of the productivity of Synon/2 compared with traditional methods of software development, received wisdom has it that 100-250 lines of code per man day is good going.

Synon/2 costs £27,000 and probably saves the cost of two conventional programmers. Mr Snowden estimates that it takes a good systems programmer three months to get up to speed using the package but that still implies a pay back in six months and positive cash flow in two years.

For Chinacraft, it has made possible some approaches that would be considered very risky in conventional data processing terms—for one part of the accounting system, for example, system testing was abandoned in favour of going directly to a live pilot. So far, it has proved satisfactory. Mr Snowden is now looking forward to the day when he can get back to his first enthusiasm, Epos.

## When will the UK learn to trust IT?

UK COMPANIES are still refusing to take information technology (IT) seriously according to a new report, published last week.

Price Waterhouse, the management consultants, published its latest information technology review which suggests that for the second year running, UK companies are cutting the amount they plan to spend on computing and computer systems.

Its conclusions are based on a regular quarterly survey carried out in conjunction with the weekly newspaper Computing. The survey has, over the eight years of its existence, identified many of the important trends in British data processing.

The review says that on average, UK companies with data processing departments employing five or more staff are set to spend £1.6m in 1987, including the cost of hardware maintenance and telecommunications.

Excluding maintenance and data communications equipment, the planned expenditure turns out at £1.27m. Adjusted for inflation, the 1987 figure is 1.3 per cent down on the 1986 figure, which itself was 13.2 per cent down on 1985.

Professor Kit Grindley, author of the study, suggests that the figures for 1987 suggest a failure to recover rather than another fall.

He believes the chief cause is a new and very tough scrutiny of data processing budgets, quoting one data processing manager who said: "I guess top management were bitten badly in the early days. Or they find this competitive advantage through IT. Ideas that the business schools are pushing a bit dubious. No more tomorrow's world, they say, until we see some benefits today."

How much should a company be spending on IT? The Price Waterhouse study suggests an average in the UK, based on survey returns, of about 0.97 per cent of corporate turnover. The survey picks up a trend, however, which has been noted in other research, that an appreciable proportion of information technology spending now takes place outside the IT budget.

It says that about one-third of IT expenditure in UK companies will take place outside the data processing manager's

budget—in the US, the Diebold organisation estimated that in some companies as much as being spent on IT outside the official data processing budget as within it.

Adding in the spending outside the budget takes the total for UK companies to 1.5 per cent of turnover.

Meeting project deadlines remains the data processing manager's greatest concern, an issue that has been top of the "worry" list tracked by Price Waterhouse since 1982. Professor Grindley argues a little wryly that productivity aids have only made matters worse by encouraging demand for new systems.

On the positive side, the review suggests that the status

At board level the attitude is "No more tomorrow's world until we see some benefits today"

of the data processing manager is increasing by leaps and bounds. Within five years, it says, almost half of all managers will be on the board and the other half will be reporting to a board member.

"Five years ago," it says, only 18 per cent of data processing managers reported to the chief executive and a third did not even report at board level. Today there is a small increase in the number reporting to the boss. But those not reporting to somebody at board level has fallen to a fifth. And, to help things along, most have changed their title to IT manager."

There will be shifts in responsibility as the status of the data processing department rises. The department will be less concerned with total solutions to data processing problems and more involved in the construction of the "core systems," the foundations of the company's entire information technology strategy. The users will be able to build their own applications, so the argument goes, using the new software production tools like fourth generation languages.

IT Review 1987, Price Waterhouse, 1 London Bridge, SE1 0LB, free of charge.

## Companies scrimp on measures to prevent system disasters

HOME computers and software packages figure prominently in the latest list of computer disasters in the UK compiled by Kenneth Wong and William Farquhar of BIS Applied Systems.

Fire and explosion remains the most common hazard, however, with some 38 per cent of all disasters recorded since the 1960s, resulting from these causes.

The authors warn that although managers are aware of the threats to their ability to carry on their business if their computer systems are out of action, in many cases sufficient

funds are still not being made available to provide effective cover.

Although computer disasters are uncommon, they say, the total effect on a company can be devastating. "The chance of a company suffering from a computer fire is roughly one in a thousand. On the other hand, standby provisions cost money."

They argue: "Many computer service managers are constantly reminded by senior executives that reasonable steps should be taken to ensure that the company does not suffer a major set-back in business operation, yet at the same time they have

experienced great difficulty in obtaining a realistic budget for standby provisions to cope with an extended computer disruption."

Among recent examples they note the case earlier this year of a fire at the Open University which gutted a wooden computer room housing a Digital Equipment VAX and files of information stored on tape and disk.

The computer and the files were completely destroyed at a cost of some £500,000. The value of the programs and research data stored on the tapes and disks were incalculable. Back-

up copies had been stored in the same room and were lost also.

The room had been built as a temporary measure some years before the disaster, but shortage of cash had prevented either a move to a permanent site or adequate fire prevention facilities.

Television comedian Tom O'Connor found it no laughing matter when his wife put a chicken in the microwave oven, turned it on—and wiped out thousands of his best jokes stored on his home computer.

The computer was being used in the kitchen in close proximity

to the microwave. The BIS study suggests that the oven was leaking. "The waves created an intense localised force field which could have affected the voltage on the computer's disks and erased the data held on them."

A home computer proved a trial to a judge who used it to write up his ruling on one of the defendants in a heroin smuggling case. It took nine hours and he lost the lot when he pressed the wrong keys by accident.

The trial was put back a day while the judge prepared a second version of his ruling—a

move which cost between £5,000 and £10,000 in legal and witness expenses.

Mr Wong and Mr Farquhar's study shows a strong increase in the number of disasters involving software over the past few years.

They say there has been an increased use of software packages bought off the shelf from software developers. "Unfortunately for some organisations, the packages failed to reach the required standard of quality."

Computer Disaster Casebook BIS Applied Systems, 01-633 0666, £50.

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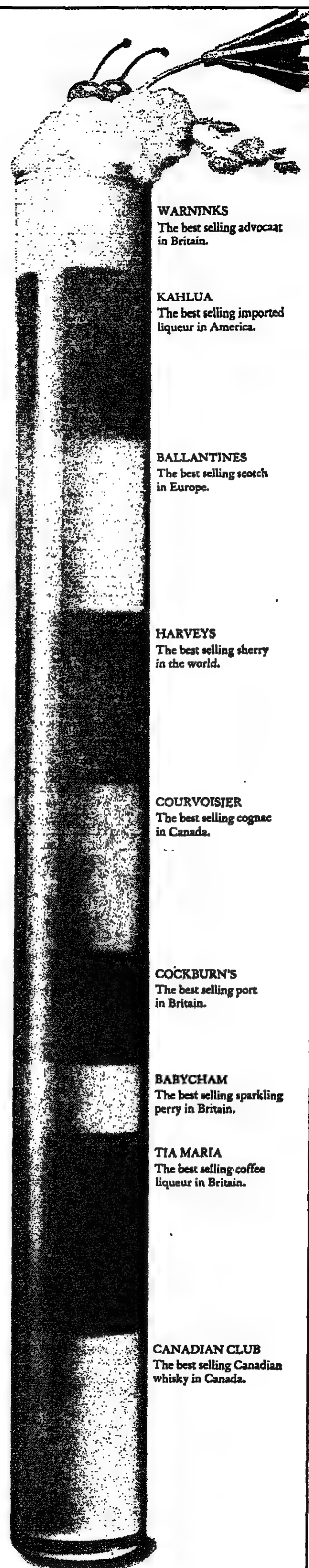
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The best selling cognac  
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The best selling port  
in Britain.

**BABYCHAM**  
The best selling sparkling  
perry in Britain.

**TIA MARIA**  
The best selling coffee  
liqueur in Britain.

**CANADIAN CLUB**  
The best selling Canadian  
whisky in Canada.



# MANAGEMENT: Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

Alfred Dunhill

## Bringing order to a muddled image

BY FEONA McEWAN

MENTION Dunhill to a Japanese businessman and he'll very probably think of prestige menswear and accessories. Say Dunhill to his British counterpart and the chances are you'll bring to mind classy cigarettes or possibly posh men's lighters. Talk of Alfred Dunhill and you'll probably confuse everyone.

This fuzzy picture of what Alfred Dunhill stood for emerged when the 80-year-old family firm—purveyor to rulers and royals of fine tobacco, watches and suits—decided to take a long hard look at itself. The result: a new identity programme involving a thorough overhaul of its premises, its packaging and a stringent review of its merchandise.

In image terms, the retailer suffered from a dual personality, according to advertising agency BBDO, which has newly won the 25m Dunhill account. One was a stodgy stuffy shirt image, the other, epitomised by Edward Fox in the Day of the Jackal, understated, immaculate, classically well dressed as opposed to fashion conscious.

A look at Dunhill stores around the world showed that it was less than surprising that perceptions were muddled. The disparate collection of branches was notable for its unco-ordinated look and lacklustre layout. There was luggage in conveyor belt rows, watches—

This lack of cohesion was a reflection of the way the business had evolved over the years. The company had begun in 1907 as a tobacconist, albeit an up-market one, keeping the high and mighty in cigars and tobacco. Customers have included Winston Churchill, Harold Wilson, Somerset Maugham, Frank Sinatra, Rudolf Valentino and the Duke of Windsor.

In the 1920s the Dunhill name spread on to watches, pens, leather goods, cuff-links; in the 1970s it flourished into full scale menswear. Now, barring underwear ("we're unlikely to get into this unless perhaps it's silk," says the company) and shoes (except in Japan) the discerning male can be decked out in Dunhill goods from socks to boater, blazer to brolly, wallet to tie.

The shift in emphasis has therefore been gradual and growing, but never fully flagged to the public, whose perceptions have lagged behind the reality. And this despite a global advertising campaign, and high-profile sponsorship of the Dunhill Cup Golf tournament which costs more than £1.5m a year. Compared with the competition—Yves Saint Laurent, Gucci, Valentino and Ralph Lauren—Dunhill was in danger of being left behind.

The reality of this shift is that 10 years ago smokers' products accounted for 90 per cent of Dunhill's turnover. Today it accounts for about 15 per cent. Fashion is 50 per cent and fragrances are growing fast, accounting for about 10 per cent.

Dunhill may have moved more slowly than some of its competitors in co-ordinating its image but financial results suggest it wasn't doing too badly either. Unaudited group figures to September 1986 for Dunhill Holdings show group profits before tax rose by 25 per cent to a record first half level of \$9.94m on turnover up by 13 per cent to \$89.9m.

Marketing director Alan Catling, two years in the job, embarked on a cohesive retail



Lander's shop design pulls disparate elements into a cohesive whole

identity as a priority. In the bid for the account, Lander Associates, the American-based multinational design consultancy, better known for its airlines and packaging than store design, beat off both Fitch and McColl which specialise in retail design.

It became clear from the start that what had started out as a simple retail identity—re-fitting the shops—was a more deep-seated issue involving a repositioning of the company and its brand worldwide. Lander undertook a "store audit," assessing Dunhill stores in Munich, Hong Kong, San Francisco, London, New York and Japan.

To appeal and distribution Dunhill is that fairly rare item, a truly global brand. The Dunhill marque appeals to the discerning male—whether he is Japanese, American or British. Like the Coke bottle or the Marlboro cowboy, the Dunhill brand needs no translating.

At the core of the problem was the confusion between Alfred Dunhill, the name on the shops, and Dunhill, the brand.

The company was also unsure what to do with its tobacconist heritage. Since smoking is increasingly unfashionable (though not in Japan where 60 per cent of men smoke) it wondered whether to jettison smokers' products altogether.

Lander found that Dunhill represented different things in its three key markets. While the US, UK and Japan all saw Dunhill's message as meaning

classic, durable, masculine, none saw it as meaning luxurious or reflecting a full range of merchandise. The aim of the design project was consequently to raise awareness of the full range and the luxurious nature of Dunhill merchandise.

Having defined what the brand needed to achieve, Lander focused on the brand's habitat, the stores. "The store design must follow through that message. You can't have the brand saying one thing and the shop saying something else," says Alan Brew, general manager of Lander Europe.

On the tobacco front, the verdict was "keep it." It had a masculine quality, with overtones of tradition, heritage and craftsmanship, all of which the company likes to think it embodies.

Lander's solution has been to position the semi-circular tobacco area at the apex of the London store, visible from the entrance, but to get to it, shoppers must pass by the gamut of Dunhill merchandise. The idea is to encourage more impulse purchasing, says Brew, since tobacco is normally a pre-meditated buy.

With the London store now open, the company will be updating its stores and shop-within-shops around the world, starting with Japan.

Everyone at Dunhill professes to be delighted with the new look store, but as Alan Catling puts it, the real results of this expensive manoeuvre will be shown at the tills.

IF YOUR company was established in 1887 and every bottle of the single malt whisky you are selling proclaims the fact on its label you obviously have to do something when 1987 comes round. But the response of William Grant and Sons, distillers of Glenfiddich whisky, is exceptional.

From late last month until the end of June, William Grant is holding an almost continuous stream of Scottish country house parties for its leading retailers, salesmen and distributors, and their wives, as well as a few journalists.

Some 650 people are scheduled to fly to Aberdeen, at the company's expense, mainly from overseas—some as far away as Australia. In groups of not more than 20 they each spend 36 hours staying at Pittodrie House, a country hotel set in splendid Aberdeenshire parkland, which William Grant has completely taken over for the period.

Instead of numbers the bedrooms have names—like Tower Room or Turret Room. To complete the atmosphere of a family home Grant family photograph albums and books have been dotted round the rooms, and the locks on the doors have been taped over.

When I went the host was David Grant, the sales and marketing director and great-grandson of the founder. On the first night, when he was in his kilt to lead the party to Dufftown (45 minutes away) where we toured the Glenfiddich distillery in considerable detail.

And he was even more resplendent for the black tie dinner that evening. Pronouncing some verses of Burns in a strong Scottish accent and ferociously wielding a knife at the same time, he cut the inevitable haggis, which had been ritually piped in. After dinner there was highland music and entertainment in the drawing room and the guests even joined in singing Over the Sea to Skye—from a song book which William Grant has had specially printed for the centenary celebrations.

William Grant has budgeted an extra £500,000 for its centenary marketing and promotion operations; last week 170 people from the British distribution trade travelled north by private train.

The aim, as David Grant explains, is to "use this once-in-a-hundred-years opportunity to motivate these people so that they go away thinking that this is the company they want to do

## Glenfiddich centenary

## Some whisky—some party

James Buxton on a marketing extravaganza



David Grant, grandson of the founder, William Grant, budgeted an extra £500,000 for his centenary promotions

business with and these are the brands they want to promote." The brands include not only Glenfiddich, which accounts for about a quarter of William Grant's sales, but its blended whisky, Grant's (formerly called Grant's Standfast).

While sales of blended whiskies—the standard Scotch—have fallen by 5 per cent between 1977 and 1986, single malt whisky has steadily increased its sales over that period so that it now accounts for 5 per cent of global Scotch whisky exports by volume.

The single malt market was virtually created by William Grant and Sons which, in the early 1960s, began a determined long term campaign to market Glenfiddich: in common with other highland malts, Glenfiddich had previously been thought too strong in flavour and body for anyone outside the Highlands.

The campaign was so successful—first in lowland Scotland

and England, and then in the rest of the world—that whereas in the late 1950s the Glenfiddich distillery was delivering only about 500 cases of whisky a year, by last year it had passed the 500,000 mark.

Glenfiddich can confidently claim to be the best-selling single malt in the world—in a market for which more than 100 brands are in competition. According to the drinks magazine Impact International, Glenfiddich is the best-selling single malt in the UK (with 45 per cent of the market), France (49 per cent), West Germany (44 per cent) and is number two to The Glenlivet in the US (where its share is 22 per cent). But it has only 2 per cent of the world's biggest single malt market—Italy—which is dominated by Glen Grant.

Largely because of Glen Grant's phenomenal success in Italy, Glenfiddich's share of the total world market for single malts has, according to Impact

International, fallen from 39 per cent in 1980 to 31.8 per cent in 1986. There was also a fall in its UK market share in 1985, though it recovered last year.

The world market share statistic does not appear to worry David Grant unduly. He argues that in most countries Glenfiddich does not have major individual competitors in the single malt market, much of the rest of which, he points out, is fragmented between a mass of small, specialised brands. Rather, he argues, Glenfiddich is competing against other premium whiskies—which may be deluxe blends like Chivas Regal or Johnny Walker Black Label. "People buy Glenfiddich because it tastes better which is because it is a single malt," he says. "If you don't buy it simply because it is a single malt."

Glenfiddich, he claims, is rapidly catching up with Chivas Regal in major markets such as France, West Germany and the Far East.

However, the competition varies from market to market and the aim is to send retailers, distributors and salesmen away from Pittodrie determined to give more shelf space and promotional effort to Glenfiddich and William Grant's compared with their perceived rivals in their own countries—whether these are other single malts, premium blends or other drinks altogether. "This means carefully tailoring the message to the individual audience."

The salesmen coming to Pittodrie are the winners of an incentive competition operated last year; to them the message is a simple "get out and sell more."

The high point of the tour is the visit to the distillery where William Grant and Sons has succeeded in imbuing the relatively simple process methods of making whisky with something close to reverence for the methods laid down by the fourth Earl of Strathmore. The stills are polished like the brass of a pre-war Cunard ship, the laws are manicured to perfection and where the company has had to decide between efficiency and tradition it has often chosen the latter. Production is controlled by brass taps, not by an electronic panel. "The emphasis is on tradition, craftsmanship and quality," says David Grant.

These values should also impress the 100,000 or more visitors who take the free tour of the distillery every year, each getting a free dram and usually pausing at the shop on the way out. For, as David Grant says, "an American or a German can't sit back in his chair and say 'I saw this whisky'—he's made unless he has a glass of it in his hand."

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## THE ARTS

Leeds City Art Gallery/William Packer

## The hard legacy of Jacob Epstein

The major exhibition of the Sculpture and Drawings of Jacob Epstein, organised by the Leeds City Art Gallery, will come to the Whitechapel Gallery in London later in the summer (July 3-September 13). But, with Epstein's sometime protégé and later rival, Moore himself so splendidly celebrated in the open air at the Yorkshire Sculpture Park only a few miles away (until June 31), the chance to see the show at Leeds (until June 21) and make comparison direct is too good to miss.

The exhibition at both venues has been sponsored by the Henry Moore Foundation, with the Midland Bank as co-sponsor in London. A particular fruit of this partnership is the magnificent catalogue—no mere list but a full and definitive scholarly symposium. Fully illustrated and 290 pages long, it is available during the life of the exhibition at the extraordinary price of £5.00, a snip indeed.

Epstein was born in New York in 1890 of Polish Jewish immigrant parents. He studied there, at the Arts Students' League, from the age of 13. In 1902 he left for Paris, and in 1905 he moved to London, which was his home for the rest of his life. Indeed, he became a British citizen in 1910, and by a nice coincidence it was Winston Churchill, who was later to sit to the distinguished portrait sculptor, who ratified his papers.

He was thus, by some 15 years, of a significantly earlier generation of artists than Henry Moore, and an heroic generation at that. Almost an exact contemporary of Picasso, for example, who had migrated to Paris only a year or two before him, Epstein was not merely influenced by the modern movement in that astonishing early phase after the turn of the century but was in position to take an active part in it.

With Rodin as the presiding deity, the European peers of sculpture alone, as he was called when he first arrived, were, in sculpture alone, such artists as Boudoulli, Maillol, Laurens, Modigliani, Brancusi, Gaudier-Brzeska, Zadkine and Moore. And there were, of course, the painters.

Though the move to England at such a time might have seemed a perverse act of self-isolation, the general case of movement and the truly international freemasonry among artists of those days made sure it was nothing of the kind. Epstein in London seems to have been something of a focus and a draw to his fellows, for

Gaudier soon visited and later settled in London and Moore was working in London by 1914. Certainly he was at once a central figure within London's avant garde, bringing with him the experience and example of the Parisian forcing house. And it was inevitable that, after Marinetti's flying visits in the early 1910s as the apostle of Futurism, he should join Wyndham Lewis in the Vortex.

Epstein left Paris with Gauguin lately dead in the South Seas and Picasso scouring the Musée de l'Homme for primitive African and Oceanic carving. In London he made the British Museum his own, and soon began to collect the ancient, archaic and primitive art of all kinds that was to be a life-long obsession. His work naturally reflected such serious interests; it was immediately controversial.

Controversy dogged him throughout his life. His first major public commission was for the large relief figures on Charles Holden's British Medical Association Building in the Strand, which he completed in 1908. Immediately the National Vigilance Association complained of their indecency, and a general hue-and-cry went up

in the papers. But architect and clients stood firm and the figures remained for the moment inviolate. It was only 30 years later, when the building was owned by the Government of Southern Rhodesia, that the great sequence of carvings was openly defaced under a pretext of making the building safe.

The trees remain to this day, a visible monument to crass official philistinism and general indifference. The sculptural quality of the figures is evident in the photographic record, for they appear to have been as fine as anything he ever did. The suspicion is confirmed in this exhibition by the one full-size plaster maquette that survives, lent by the National Gallery, Victoria, for the figure of "Maternity".

It is a working model, unprepossessing and rather cut about, but it is strong and sure in its modelling, tender and humane in its understanding, and very beautiful.

In 1954 Epstein accepted a knighthood, which Moore was never to do. But he was never to be the establishment figure in the art world that the younger man already was. He

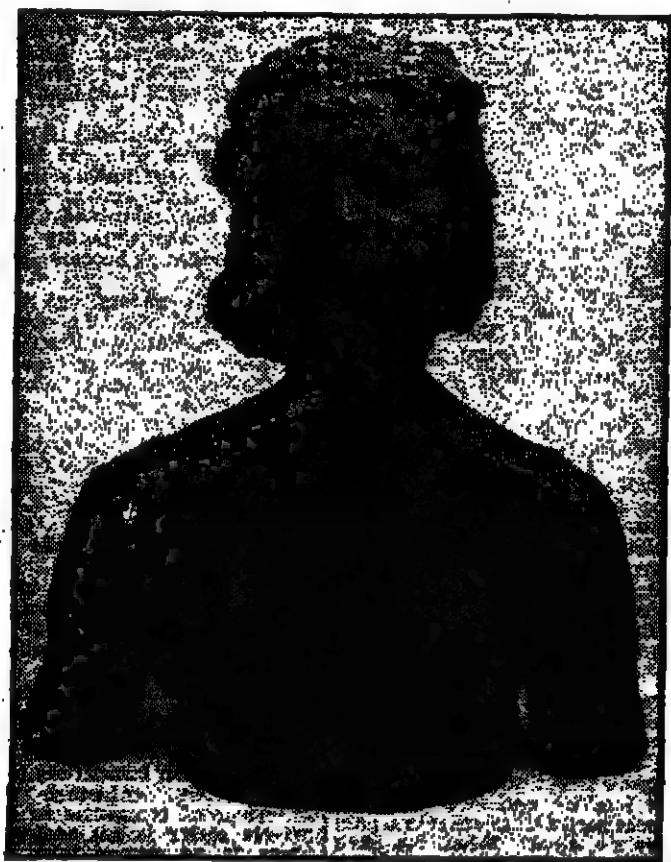
was ever the outsider, and his awkwardness cannot have helped. In all the cartoons and satires on him and his work that proliferated through the 1920s and 1930s, it is less the general hostility to modern art than the open and personal anti-Semitism which seems now so shocking and depressing. Epstein had cooled considerably with his success. Moore was ever grateful to Epstein for his early and generous support, and was especially conscious of what the older man had suffered for the sake of art and the general good. "He took the bricks," he took the insults, he faced the howls of derision with which artists since Rembrandt have learned to become familiar. And as a sculptor in this century is concerned, he took them first. . . . And I believe that the sculptors who followed Epstein in this century would have been more insulated had the popular fury not partially spent itself on him, and had not the folly of that fury been revealed."

Where Moore turned to modelling only a well-settled career, Epstein began to carve while still in his 20s, and throughout his career modelling and carving ran counterpoint.

As a carver, Epstein was always the more formal and hieratic, less in the round, his work best seen in a contained or directed situation, and perhaps ideally in relation to a building rather than the landscape so ideal for Moore.

As a modeller, Epstein always stayed closer to the figure, working the image directly and naturalistically within the romantic expressionism devolved from Rodin. In the later work, his mannerism in the handling of clay obtrude too much.

But this exhibition makes it clear how brilliant a modeller of the head and figure the younger Epstein was, and to what extent we have forgotten his portrait busts but may be more and, at the same time, great art.



Jacob Epstein's bronze "Girl from Senegal," 1930

## Barnaby and the Old Boys/Theatr Clwyd, Mold

Martin Hoyle

Douglas Heap's design provides a visually thrilling opening to Keith Baxter's new play at Theatr Clwyd, the Welsh capital of North Wales. The steep, shining grid of horizontal metal bars that slopes downstage towards us fleetingly recalls the celestial staircase of the old Powell-Fressburger film, *A Matter of Life and Death*. As smiling Hywel (Phillip Joseph), in a pool of light, reminisces about the last Christmas gathering in the family home and, it will emerge, his last on earth, the resemblance seems apt. When, on the radio accompanied the crossing of the un-rainbowed Severn Bridge into the Valleys of South Wales, as his friend Barnaby remarked.

After years in Canada Hywel has returned to the converted railway carriages, extended into a home by his father in the Depression, that must be

sold up now that Mum is dead. He brings his room-mate Barnaby to the family party. Barnaby is black, which causes a mild frisson, and Hywel's lover, which leads to tragedy.

The family includes grizzled David (Michael Craig), an old-style socialist MP ousted by his reelection committee after 27 years; snobbish Robert, married into new (English) money; and silly, sentimental Glynis, adorer of royalty and dissolver into tears at the least provocation; and their respective spouses.

Best known as an actor, Mr Baxter has written a thoughtful and warm-hearted piece, some of which sounds as if it would make an absorbing, wryly nostalgic novel. Not all the characters are hatched into fully-fledged life, but certain passages stand out: the almost documentary counts his escape from the

criminal ghetto via an athletics scholarship; the scene where Glynis tearfully pours out the sexual harassment she has suffered to her sisters-in-law; teenage Sian's recollection of the last dance in an old hall-cinema scheduled for demolition, plastic roses arranged round the smoking. All compelling and touching.

As yet even Barbara Leigh-Hunt's ripely tolerant Angharad, David's wife, is stuck in stereotype. And the author improbably allocates to snooty Rowena, Robert's English catch, the lovely middle-class term of disapproval, "common."

The writing tends to understate too heavily (her sons are called Tarquin and Piers). Would even this icy, moneyed princess of the disainful cocktail circuit be quite so rude to all of the people all of the time? On the credit side, the motives, of course, confused

Vic, the extrovert who turns violently and fatally against his boyfriend friend, are left to our imaginations. The expected cliché confessions of suppressed yearning. (Only Brian Croucher's irredeemably cockney shot at north-country "give over, chuck"). And the initially full, well-settled, retired members of bank staff, but on this occasion, was suggested by a customer, well known pianist and bandleader Keith Nichol.

Toby Robertson's direction evokes uniformly fine playing. Jennie Hill's rural, cool beauty stylishly hints that sympathy is not quite extinct in Rowena; Deborah Norton's Glynis is movingly muted and Paul Dixon makes an outstanding professional debut as a tough, tender, sweet-natured Barnaby.

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

## Arts Guide

## Exhibitions

## LONDON

The Tate Gallery, Turner in the new Clare Gallery. The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 10,000 or so watercolours and drawings, has been a source of controversy and discussion ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself, such would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the textual restoration has done for the principal galleries is a far cry from the rich plain he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

## PARIS

French drawings: At the beginning of the 18th century Louis XIV's love of the prodigious gave way to an art more intimate, more personal. A new generation of artists around Antoine Watteau introduced colour as well as a lightness of touch into their drawings under the influence of Venetian and Flemish masters. Musée du Louvre, Pavillon de Flore. Closed Tue. Ends June 1. (4299 3929).

Tenue, The Gold of the Pharaohs: Part of a dazzling treasure from the 18th century, the Gold of Lower Egypt is on view in the Grand Palais. Gold, silver and lapis-lazuli furniture, masks, pectorals and ceremonial vessels were discovered in the late 1800s in the delta of the Nile, in Egypt, the capital of a country torn by internal strife. Yet the relative impoverishment seems to have inspired the royal craftsmen with an elegance which near-classical restraint appeals to modern sensibility. Grand Palais, closed Tue. Ends July 30 (4299 5410).

Costume-Couture. Where better to stage an exhibition on clothes and their sociological significance than in Paris, whose very name is synonymous with fashion? The imaginatively presented exhibition ranges from the breeches and tunics of ancient Gauls to the rare exhibits from the 18th century - le Habit Français - and to Edith Piaf's legendary little black dress. Grand Palais (Closed Tue, Wed late closing) ends June 15 (4299 5410).

Berthe Morisot: More than 40 oils, pastels, watercolours, crayons and sketches witness the development of the woman painter who, influenced at first by Corot, became a friend of the impressionists and took part in their first exhibition. Galerie Waring Hopkins, Alain Thomas, 2 rue Mironneville (528 55195). Opened all days except Sundays and luncheon. Ends June 27.

## WEST GERMANY

Bonn, Städtisches Kunstmuseum, Rahel Levin Wirtz: A retrospective by August Macke (1887-1914). Born in Moschendorf, Macke studied in Disel-

dorf and Berlin under Louis Corinth. He did much of his work in Bonn and was responsible for the new art form Rheinische Expressionismus, before the First World War. His journey in the spring of 1914, with Paul Klee and Louis Macke, to Tunis became a landmark in art history. In the same year he was sent to the front in France, where he died, aged 27, in action in Champagne, Ends May.

## ITALY

Venice, Palazzo Grassi: The Archimboldo effect: a curious and stimulating exhibition centred on the neglected 16th century Milanese mannerist painter, Giuseppe Archimboldi. Much appreciated in his own lifetime for his extraordinary composite portraits, in which the features of the sitter would be composed of the tools of his trade - pots, pans and vegetables for the cook (which turned upside-down became merely a still-life) or books for the librarian. - Archimboldi spent most of his working life outside Italy, in the service of three Hapsburg emperors, included in his arresting portrait of Rudolf II as the Strigano and Verano, made up of fruit, vegetables and ears of corn. The exhibition contains works by Archimboldi's predecessors, such as Leonardo, Durer and Fra Bartolomeo, as well as those of artists active in the early years of the 20th century. It attempts to draw links - some obvious (Dali, de Chirico, Man Ray and Duchamp), Ends May 31.

Milan, Palazzo della Triennale: Imaginary Cities. A Journey Through Italy and Nine Projects for Nine Cities. An exhibition in two sections. Nine groups of young architects, Italian and foreign, examine the history

and development of cities as diverse as Rome, Naples and Genoa. In the first section, the architects present their own imaginative suggestions for future overcrowding, urban decay and uncontrolled development. Far from being futuristic, the suggestions reflect the reality of the original city plans, in the case of Rome, suggesting a re-division of the city into seven distinct centres, based on the ancient Roman city plan. Ends May 17.

## NETHERLANDS

Amsterdam, Van Gogh Museum: Thirty paintings by some of the leading French Realists and Impressionists on loan from New York's Metropolitan Museum. Extending from Delacroix to Gauguin, with a sprinkling of Vincent van Gogh's famous artists there as loan, the exhibition is by Millet, Corot and Monet, a Cézanne still life, Manet's colourful and supremely self-assured Young man in the Costume of a Major, and Pissarro's evocative Boulevard Montmartre. Ends May 31.

Rotterdam, Prins Hendrik Maritime Museum. Centred around two high decorative wall maps, The World According to Blaeu examines the history of the famous 17th-century family of cartographic publishers, whose superb, detailed charts were based on the latest information from ships' journals and seamen returning from voyages to the Republic's far-flung trading outposts. Ends May 25.

## SPAIN

Madrid, Daniel Aubry. American Photographs by young artist in his early travels. Aclma, S23 Bernardo 107. Ends June 5.

## Titus Andronicus/Swan, Stratford-upon-Avon

Michael Coveney

Long after the Augustan Golden Age, Rome is a wilderness of tigers in Titus Andronicus and director Deborah Warner, making her RSC debut in the Swan at Stratford-upon-Avon, lets loose the revenging dogs of war in all their teeth-baring savagery on a bare boards setting with an upper tier. The RSC came a terrible cropper with this piece, much mutilated (like most of the characters in the play) in a double bill of 1981. In the Roman play sequence a decade earlier, Trevor Nunn appended this barbaric coda with Colin Blakely sketching out the King Lear he never saw.

The new Titus, Brian Cox, is an actor much in the Blakely mould but with his own special brand of light mockery and playfulness. This is a marvellous role for him and he takes it in both hands or at least one, after he has cut off the other.

The evening is a success, Mr Cox striking a monumental picture of cadaverous grief while the horrors pile up around him. This, you recall, is the play of which Max Bygraves once sang "You Need Hands."

Titus's daughter, Lavinia, is raped and mutilated, her hands cut off. Then Dad cuts off his hand as part of a bargain that is never properly struck.

The catalogue of murder and torture characterises a gruesome interregnum between two imperial installations. Titus, victor over the Goths, returns with Tamora, their Queen, and her sons stockaded in a ladder. The ingenuity of Miss Warner's vision, evidenced in her Poor Theatre productions of King Lear and Coriolanus for the company she founded, Kick Theatre, presses the same ladder into service as a cruciform gallows for Aaron the Moor.

The Swan is really all the decor you need, and Miss Warner's enforced economy of staging theatre shows no sign



Sonia Ritter and Brian Cox

yet of hardening into self-conscious style. In his second large scale performance of the season, Mr Cox has a field day with the horrors pile up around him. This, you recall, is the play of which Max Bygraves once sang "You Need Hands."

These are deep philosophical matters and I have never experienced them so well considered as in this production. The play renews for us a sense of shame and horror at the infliction of rape and casual mutilation. A precedence for this close contact chamber of horrors was a 1978 Bristol

studio production by Adrian Noble, Simon Callow whooping it up in the lead. Mr Cox's assumption of madness is much more transparent, his occupation of the Sweeney Todd role both carefully mapped-out and deeply sinister. When he breaks his own daughter's neck, as though she were a discarded dummy, on a ventriloquist's knee, it is the merciful release of a young girl who has lived too long without feeling. The role is played with a terrifying numbness and not a little grace by Sonia Ritter, a fine young actress sensibly retrieved from the 1983 RSC tour.

I miss a whiff of Marlovian relish in Peter Polycarpou's Aaron. Verne-speaking standards of the main stage show alarming signs of infiltrating the horrors was a 1978 Bristol

Sumpter gives an otherwise touching and constant reading of the loyal brother, Marcus, but seems reluctant to articulate the very and hit any kind of metrical rhythm. The return of Estelle Kohler to the company after 14 years away is an especial treat. She can teach them a thing or two about attack, pace and vocal bite. She makes of Tamora a full-blooded plottess, sleeping her way to power with Jim Hooper's dozy Saturninus and loving every minute.

The whistling dwarfs out of Snow White are a mistake but Miss Warner redeems herself by using these full-size impersonators as a chorus and turning the spotlight on the audience for the extended obsequies and epilogues.

## Ballet Rambert/Sadler's Wells

Clement Crisp

The qualities that mark the identity of Ballet Rambert under the artistic direction of Richard Alston—an alert ear for new music, a quick eye for fresh, painterly images—are to be admired in the first programme of the company season which opened on Tuesday. So too, the spare choreographic outlines of the troupe's dance identity.

Four works were on view. Two—Ashley Page's *Carmen* Arcades and Alston's *Zouzo*—were repeated from last season. Two others—Alston's *Dustful Ducks* and Slobban Davies' *Rushes*—are works revived from previous incarnations. *Dustful Ducks* was made as a solo for

Michael Clark in 1983, when it capitalised upon the dancer's quick, elegant footwork and distinctive carriage as he beat and danced to the accompaniment of Charles Amirkhanian's spoken text which gives the piece its title.

Alston has re-worked the dance, retaining the original Clark solo which springs quite naturally from the income-quantities of Amirkhanian's words, and extending it by an entry for three girls who embroider the original choreography round the male soloist, Gary Lambert. It is a light-hearted, brief, buoyant interlude, marked everywhere by

the quick cut of beaten steps and pouncing jumps. I thought it great fun, and feisty done by its cast.

*Rushes* is altogether more serious. Created in 1983 for Second Stride, it finds Slobban Davies responding to two concerns: the gradually developing complexity of Michael Finnis's piano score, with its descending notes which begin as a gentle shower and end in a deluge, and the double meaning of the title. We see three couples, posing gently, moving cleanly through movement that is worked and reconsidered, as if the choreographer were viewing filmed rushes of their activity.

*Zouzo*, with its contrasts of tough, muscular movement and tender serene interludes, responds very exactly to Nigel Osborne's score and John Holland's fine design. *Carmen Arcades* looks, in the context of the rest of the repertoire, like a *quinté essuyé*, but it is driven along by Harrison Birtwhistle's music, and the eye is refreshed by Jack Smith's colourful design.

## Cheltenham Music Festival

The emphasis at the 43rd Cheltenham International Music Festival, to run from July 4-19, will be on modern French music. There will be retrospective programmes of the music of Roussel and Ravel, who both died 50 years ago, as well as contemporary French composers, including the world premiere of a piano trio by Jean-François Alain Louvier will be one of two composers-in-residence. Six of his works will be British premiere, one a world premiere.

The other composer-in-residence will be Judith Weir. The Kent Opera will give the world premiere of her opera, *Night at the Chinese Opera*. There will be an evening of Chinese music and dance the following day.

First performances will include *Les Femmes d'Alger* by John Tavener, Stephen Dodgson, Kenneth Leighton, David Bedford and

Richard Rodney Bennett. The Eagon Cheltenham, Lindsay Edmondson Quartets will play; Kyung-Wah Chung and Xue will give all the Bach unaccompanied violin sonatas; the Northern Ballet Theatre will dance Coppélia, and Kent Opera will also give *The Magic Flute*.

## All-night TV for London approved

Thames Television has received formal approval from the Independent Broadcasting Authority to transmit programmes throughout the night. The all-night service, in Thames transmission area, will start on Monday June 1 and operate for two months until 4.00 am. The hours will be extended until 6.00 am from Monday, August 3 when a planned IBA transmission work is completed.

May 8-14

## Perlemuter/Wigmore Hall

Max Loppert

On Tuesday, at the second of his two Ravel recitals, Viado Perlemuter played as his main offerings *Valses nobles et sentimentales* and, after the interval, *Gaspard de la nuit*. It was with these two works that Michelangelo reached the peak of an unforgettable London recital not long ago; it seemed impossible to contemplate hearing them again, and so soon afterwards, with any patience.

But Perlemuter not only made it possible; he made the works indelibly his own, as he has every time he has played Ravel in London in recent memory. It hardly needs saying that the technique of the senior pianist—83 later this month—has not the resilience of the brilliance of Michelangelo's; that was never the point of his performance. In the New Grove Perlemuter entry, William Glock writes of his "conception of . . . music that is very grand and simple, and neither fastidious nor showy."

No better summary description of last night's *Valses* could be imagined: in it there was displayed a supreme confidence about matters of style, nuance,

rhythmic movement, and tone colour arising from a total absorption in the music itself, and a command of the keyboard grown out of a perpetually fresh and uncomplicated (yet at the same time highly subtle) sense of Ravel's keyboard world.

There were passing inaccuracies. They were untroubling—Perlemuter's fingers have long learned to take them in their stride. The short pieces that had begun the concert—the *Menuet antique*, then the *Favane for a dead Infante*—had been rather more flustered and unsettled. But at the start of the second half the group that included a translucently limpid *Jeux d'eau* produced more vintage Perlemuter; and Gaspard itself was a kind of miracle. Again it was not perfect; but it was shot through with wonderfully simple, surprising beams of light, unhurried, direct-speaking perceptions, and at the same time a feeling of excitement; all the more binding for being so patiently built up. No pianist before the public better deserves or justifies the epithet "aristocratic."

## Saleroom/Antony Thorncroft

## Favourite Munnings

An idyllic English summer afternoon captured by Sir Alfred Munnings in 1910, and showing a lad beneath some trees with a group of horses, sold for £186,200 at Sotheby's yesterday in an auction of modern British paintings. The price was just above the top estimate.

Munnings, in his autobiography, considered this to be his favourite picture. The horses were his own, and the scene is based on a spot near Horse in Norfolk. All told the 222 paintings, drawings and sculpture in the sale brought in £2,501,070, a record for this sector at Sotheby's. Just over 13 per cent were unsold.

Many new artist records were established, most notably the £96,800 paid by the London dealer Kirkman for a view of the facade of St Mark's in Venice by Walter Sickert. Another dealer paying a record price was Whitford and Hughes, who secured "A country window" by the New Zealand artist

Frances Hodgkins for £68,200. Painted around 1930 it has a still life, of fruit and flowers, to the fore and a landscape beyond. Another popular artist, at least with a certain kind of collector, Sir William Russell Flint also set a new record, a bid of £28,600 securing a watercolour of a lightly clad model inspecting drawings of her predecessor. Other records were the £28,600 paid for "Fishermen in a boat" by Prunella Clough; the £17,600 for a still life of flowers by Cecil Kennedy; and the £18,700 for "Llanthony Abbey," a 1941 view of the Welsh ruin by John Piper. A portrait of the writer Lord David Cecil by Henry Lamb, captured in 1935, was also a record, making £24,200. Modern British pictures are a particularly strong market at the moment, stimulated by the economy, and a growing awareness of the talent of home grown artists in the past hundred years.



## FINANCIAL TIMES

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Thursday May 14 1987

## Why growth has slowed...

THIS WEEK'S OECD ministerial meeting in Paris has been a mixture of the familiar and the not-so-familiar. Mr James Baker, the US Treasury Secretary, launched yet another strongly-worded attack on macroeconomic austerity in Japan and West Germany, warning once again that the US can no longer provide a powerful stimulus through growing trade and budget deficits.

Mr Jean-Claude Paye, the OECD secretary-general, on the other hand, while agreeing that world economic prospects are dismal, seemed relatively uninterested in questions of macroeconomic demand management. Rather than unveiling new OECD thinking on fiscal, monetary or exchange rate policy, he released a study, Structural Adjustment and Economic Performance, that focuses on possible microeconomic causes of slow growth and high unemployment in the 1980s.

The Paye report starts by pointing to an obvious paradox. Economic circumstances appear to favour strong growth: inflation is low; energy and raw materials are relatively cheap; and "far-reaching structural change in industry has rendered many firms more efficient." Yet growth in the industrialised world remains sluggish and falls well short of earlier expectations. Why?

According to the OECD, the liberalisation of markets played a crucial role. Trade barriers, which had proliferated in the 1920s and 1930s, were progressively dismantled in Europe and Japan, the web of industrial cartels that governments had helped establish in the inter-war years were broken up. Controls on direct foreign investment were lifted, making possible the transfer of technology.

## ...while subsidies hurt farmers

ONE SECTOR in which the OECD has made an overwhelming case for structural reform is farming. The baroque edifice of subsidies in the major countries is a monument to political opportunism and economic myopia. It has also become partially self-defeating and, in important respects, morally repugnant. If it is not dismantled, there is a danger that it will crash under the weight of its own inconsistencies.

Its effect is to increase the incomes of farmers in the richest countries at the expense of the poor in Africa and elsewhere. Moreover, price support mechanisms, which account for 70 per cent of farm support in the developed world, give the largest subsidies to farmers with the largest output. These tend to be the richest and most efficient.

Price supports artificially raise the cost of living to consumers in the richer countries, and result in over-production. Unnecessary stocks are stored in warehouses for a while, and then unloaded on to what remains of the world market outside the barbed wire of tariffs and restrictions. These surpluses depress the price available to Third World agricultural producers, while tariffs fences deprive them of the income needed either to develop their own agriculture or to buy the surpluses in form of aid. They complete the vicious circle by further depressing domestic prices available to Third World farmers.

**Powerful arguments**  
 Efforts by some member countries to suppress parts of the report before its publication testify to its value as a mirror which many politicians would prefer not to look into. It also includes some blunt warnings that things cannot go on as they are, and so raises potentially embarrassing questions as to what ministers are going to do about them.

The OECD's report shows that farm support carries economic penalties which the 24 OECD countries can ill afford while unemployment remains high and a much stronger wind is blowing across the prospects for sustained growth. Farm support, which provides 60 per cent of farmers' incomes in Japan and more than 40 per cent in

the US to its more backward rivals in many countries (but not Britain), industrial relations were improved through the rationalisation of unions and pay bargaining systems. Seen through the lens of the Paye report, the fall from economic grace that began in the 1970s reflected a gradual shift away from reliance on market forces. Rapidly expanding public sector subsidised industries (and agriculture in particular—see below), and established generous social services. Incentives were reduced by heavy taxes and high benefit entitlements. Industrial militancy led to excessive pay awards and the compression of differentials. Companies and industries were increasingly circumscribed by a labyrinth of red-tape. Trade liberalisation faltered and non-tariff barriers multiplied.

## Half the story

The Paye report is not fully convincing as an explanation of changing economic fortunes in the post-war period. The emphasis on the importance of liberalisation as a motor of growth in the "Golden Era" seems excessive. The expansion of international trade was certainly important but beyond that, very little attention was paid to free market nostrums. Exchange rates were fixed, the movement of international capital was tightly controlled, financial markets were heavily regulated, and many countries relied on controls on pay, prices and dividends. A good deal of emphasis was placed on co-ordination as well as competition.

The moral from this is not that deregulation is a bad thing—in most circumstances it will raise efficiency—but that it is only half the economic story. Macroeconomic policy is just as important. It was ineffectual in the 1930s when the international monetary system disintegrated, and unless the macroeconomic climate is improved today, the potential benefits of liberalisation in the past few years are unlikely to be realised. Mr Paye is right to worry about structural factors, but Mr Baker is also justified in calling for less cautious demand management outside the US.

the EC, now makes a sizeable contribution to budget deficits. Unnecessarily high prices force consumers to pay for surpluses that they do not want and cannot use, and pre-empt national resources which could be used to increase employment elsewhere.

## Price support

Even if voters and consumers were happy to keep subsidising the farm sector for social or environmental reasons, the present tangle of support schemes is not the most effective method. This is because price support gives relatively little help to the smaller farmers who are generally regarded as helping the environment and most support to intensive farming which often contributes least to the rural scene.

However perhaps the most powerful argument for action is that present trends cannot be sustained without danger to the world's trading system and economic development generally. The improvements in farming techniques, such as those which enabled UK grain yields to double in the last 20 years, are becoming more generally used. Demand from the Soviet Union and the Arab oil producers will diminish. Saudi Arabia is now net exporter of grain, and grows large quantities of tomatoes in the desert. The world market is already too small to take the over-production of industrial nations.

All the indications are that this will become worse not better, with ever stronger incentives for countries to conclude barter deals or more directly undermine open markets in game of competitive obstruction which no-one can win. Ultimately, as the OECD points out, the whole edifice could collapse burying a large number of farmers under the rubble. It is therefore of the greatest importance that the world's financial and trade should stand back from their squabbles to survey the big picture, and then agree a steady gradual programme for dismantling the subsidies. This could start with a general 10 per cent in all subsidies which the OECD has shown would be feasible and not too hard for farmers to bear.

The problem has been obvious for years. The OECD report makes it clear that solutions can no longer be postponed.

IF WESTERN governments have not exactly been bursting with activity over the problems of the Middle East in recent months, it cannot have escaped their notice who has.

Quietly, with the US absorbed in the domestic repercussions of Iran and its allies wracked with confusion over arms control, the Soviet Union has been building new alliances in the Gulf and bidding for influence in the Arab-Israeli dispute.

More than at any time since it lost its key regional ally, Egypt, to America in 1973, Moscow under Mikhail Gorbachev is being seen as a key player in the region's conflicts. The significance is that this time its role is being hailed by many in the Middle East as a potentially constructive one.

The higher Soviet profile in the region conforms with Mr Gorbachev's more active and imaginative foreign policy in other areas.

"The Soviets have definitely been scoring points in the last few months. Gorbachev has seen an opportunity and he's exploiting it," says one Western diplomat dealing with the Middle East. Soviet moves since the beginning of the year have included:

● In January, Moscow sought to curtail favour with the Organisation of Petroleum Exporting Countries by receiving Mr Hisham Nasser, the new Saudi Oil Minister—the highest-level Saudi visit to Moscow—and agreeing to make a token cut in crude oil exports in solidarity with Opec's price support efforts.

● In late March, the Soviet Union agreed to reschedule Egypt's estimated \$3bn (£1.5bn) military debt on generous terms as an earnest of improving relations between the two countries. The deal stands in marked contrast with the current deadlock over Cairo's much larger military debt to the US.

● A month ago, the Soviets were rewarded for their patient efforts to reconcile the squabbling factions of the Palestine Liberation Organisation. The process, completed during the meeting in Algiers last month, saw Mr Yasser Arafat, a friend of Moscow, emerge triumphant at the head of a reunited PLO.

● The Soviet Union has also been lobbying hard in secret weeks for its idea of an international conference on the Arab-Israeli dispute. There have been intensive contacts with Israel and suggestions that the peace of Jewish emigration from the Soviet Union might be allowed to quicken. The aim is to encourage the resumption of diplomatic relations between the two countries, broken off by Moscow 20 years ago, and to ensure Israel's acquiescence in a Soviet seat at the conference table.

The sort of conference which Moscow envisages—a full-scale, binding multilateral negotiation—is a far cry from the one currently under discussion between Israel and the US, which would serve merely as a prelude to direct negotiations between Israel and its neighbours. It is not clear whether the Soviets would be prepared to accept this more limited role.

● During meetings in Moscow at the end of April, Mr Gorbachev is also understood to have pleaded the cause of moderation with President Hafez al-Assad of Syria—a move the principal Soviet ally in the region and a key participant in any international conference. In return for Mr Assad's agree-

ment in principle to take part and not to obstruct Palestinian reconciliation, Moscow is believed to have offered substantial new economic and military aid, and to have rescheduled Syria's estimated \$15bn debt. Along with Saudi Arabia, the Soviets have also been instrumental in bringing Mr Assad together with his bitter foe, President Saddam Hussein of Iraq.

Perhaps most important of all, have been recent Soviet moves in the Gulf. Last month, following a series of Iranian attacks on ships going to and from Kuwait, Moscow agreed to charter three tankers to the Gulf state, with the implicit assurance of Soviet naval protection.

Both Kuwait and the Kremlin have been keen to play down the political significance of the deal, which they describe as a technical, commercial matter. But for a while it made the substantial budget rebate for Britain under the Fontainebleau agreement of 1984.

Renwick, 49, who was head of Rhodesia department at the CCC and as petition adviser to Lord Soames, Rhodesia's last governor, and together with Sir Anthony Duff, now Mrs Thatcher's head of security services, helped dissuade Ian Smith's army commander from mounting a pre-independence election coup.

The 49-year-old Renwick, whose Foreign Office pedigree includes Dakar, Delhi, Paris, Washington and his present job as assistant under secretary of state, European Community, drew on his Rhodesia experience to write a book on sanctions while on sabbatical at Harvard in 1980.

His conclusions are sceptical. "To abandon altogether the idea of recourse to sanctions in response to acts of aggression or other flagrant violations of international law or human rights would be to reduce the choice of response to one between military action and acquiescence—an unattractive choice at the best of times..." he writes.

He goes on: "they may have some deterrent effect, though they are not likely to do so if the regime believes its survival in any event to be at stake. Once applied they may, if sufficiently effective, weaken the target regime; but they will not necessarily change behaviour... exaggerated expectations should not be entertained as to the likely economic effects, or the time scale on which these may be felt, still less as to the probable political results." Doubtless Mrs Thatcher concurs.

Renwick, married to a Frenchwoman, is as much a European as an African buff.

## Mr Gorbachev has made new friends in the Middle East

with surprising ease.

Andrew Gowers reports



## In from the cold

given the Russians a legitimate presence in the Gulf—something they have been seeking for years.

Soon after the agreement, Mr Vladimir Petrovsky, the Soviet Deputy Foreign Minister, visited Kuwait, the United Arab Emirates and Oman, and offered numerous ideas for guaranteeing the safety of Gulf shipping, including another international conference.

It was the highest-level Soviet visit to the UAE and Oman in memory and would have been inconceivable until recently. The two countries only established diplomatic relations with Moscow in 1986. The Soviet ambassador to the Emirates says Mr Petrovsky was received with "more than traditional politeness."

As ever, the big prize for Moscow is diplomatic relations with Saudi Arabia. Many Western observers now believe a Soviet mission to Riyadh is only a matter of time, though perhaps not while the fiercely anti-Communist King Fahd is on the Saudi throne.

It is natural that a more active Soviet foreign policy should focus on the Middle East. The Soviet Union has a 1,000-mile common border with Iran; it contains one of the world's largest Moslem communities with about 50m people in Soviet Central Asia potentially susceptible to radical religious trends elsewhere in the Islamic world; and it shares with the countries of the region an overriding interest in oil, exports of which to the West account for some 60 per cent of Soviet hard currency earnings.

But even the Russians must be surprised at the ease with which they have been able to enhance their prestige in the past few months. This stems in part from perceptions in the region that the Reagan Administration's commitment to achieving a comprehensive settlement of the Arab-Israeli dispute remains lukewarm, despite recent US diplomacy between Israel and Jordan.

The growth of anti-US sentiment has made Arab governments more aware than ever of the need to be seen to hedge their position between the super-powers.

Just as interesting is the apparent equality with which the West, and in particular the US, has greeted the Soviet diplomatic drive. American officials describe it as a restoration of the status quo and acknowledge freely that the Soviet Union has a legitimate role to play in the Middle East. They say the situation was anomalous in the 1970s when the Kremlin only entered the region were through radical states like Libya, Syria and South Yemen.

There are several reasons for this. First, the focus of the superpower debate has lately been elsewhere—principally in Europe—and the US and the Soviet Union clearly do not want unpredictable flare-ups in the Middle East to prejudice the evolution of their broader political relations. Second, there is a recognition that the Soviets are going out of their way to avoid being portrayed as spoilers of efforts to resolve the region's problems. Third there is the fact that Washington and Moscow have found themselves on the same side in the Iran-Iraq war.

The Soviet Union is Iraq's biggest ally and has supplied the regime of President Saddam Hussein with billions of dollars worth of sophisticated weapons. In recent weeks, Moscow has been showing an even more obvious tilt towards Baghdad, while the US has made it clear that it will continue to provide the Iraqis with intelligence information.

This curious alignment reflects a broader perception which the superpowers have come to share about the Middle East, stemming from the 1979 Iranian revolution. This is that a loss by one side does not necessarily translate into a gain by the other. When the Shah fell, the US lost its most important regional ally. But Tehran's Islamic rulers direct their rhetoric against the Soviet Union almost as much as against the "Great Satan" in Washington.

Arab states have themselves been forced in recent years to put on a greater show of being genuinely non-aligned. That is neither superpower nor harbouring any illusions about the extent to which it can turn events in the region to its own long-term advantage.

Additional reporting by Angela Dixon in Dubai.

## Accountabilities

By Patricia Day and Rudolf Klein

Tavistock Publications; £25



ONE SIMPLE law could transform modern society. Urge you to vote for anyone who undertakes to promote it. The law would run, in its entirety:

A name and address must be attached to everything that is done.

Just imagine! Solicitors could no longer send out threatening letters signed by a clerk's meaningless squiggle. Building Societies could no longer write to customers and sign the society's name. The prevaricator who failed to make the appointment to mend your washing machine would be unmasked; the lout who came to do it would not be an unfathomable "service engineer" but a real person with a name and address. Health Service patients would not be attended by "nurse" or "doctor" or some equally patronising generic abstraction, but by an individual whom they could later thank or sue.

Best of all, thousands of civil servants would have the black veil of the department's name torn away from them; there would be nothing behind which to hide. Contemporary life would suddenly become possible.

J. S. Mill understood this: "as a general rule," he wrote, "every executive function, whether superior or subordinate, should be the appointed duty of some given individual. It should be apparent to all the world who did everything, and through whose default anything was left undone." And then comes the clincher: "Responsibility is well where blame lies; who is responsible."

This is perhaps the most striking quotation in a thorough little book which sets out to explore the degree to which public servants in Britain can be held accountable for their actions. The evidence challenges not only ministers and civil servants, but doctors, nurses, local education committees and many others. Although the behaviour of companies in the private sector is get analysed, there is no reason why the doctrine of proper accountability should not be applied to them—unless you really believe the market alone is enough.

But what is accountability? It is one of those vague words that can get in the way of straight thinking, which is why Patricia Day and Rudolf Klein have taken such immense trouble to distil the literature and get their definitions right (so much trouble, in fact, that this volume should have a steady sale as set reading in courses on government, politics, administration and, with luck, business).

The non-elected authorities in charge of the NHS may be responsible, in the end, to an elected minister, but they cannot tell doctors or nurses what to do. Before the Thatcher era of performance indicators, and management by objectives, members of such authorities judged their effectiveness by how much they could spend, not by how much they achieved. Police authorities are hampered by the mystery of policeman; teachers will not let education authority members near their classrooms. Only the water authorities, who can measure what gurgles down their pipes, seem to feel properly accountable, and in charge.

The familiar whine—that calls for value for money are in reality miserly attempts to cut costs and reduce services—persists, to the detriment of the Government's efforts to introduce managerial accountability into its services. At the local level this conflicts with political accountability. This is notionally to the voters but too often to a party (Labour) or, because of the power of a trade union or professional organisation, to nobody at all. Just being elected is not enough; there must also be control.

It is both the strength and the weakness of this book that it does not provide a full-scale prescription. A chapter entitled How to Introduce Accountability Everywhere would be relatively easy to digest; the trouble appears to be that the modern state is so complicated that solutions have to be tailored for each different circumstance.

The authors hope for a "new dialogue" designed to repair the linkages between different forms of accountability—managerial, political, technical, and so on—and they hanker towards small-scale local services, in which the Athenian face-to-face method could be revived. But they are analysts, not polemicists.

Joe Rogaly

## Our man for Pretoria

It seems entirely appropriate that our new man in Pretoria is an expert on sanctions. Robin Renwick, who takes over from Sir Patrick Roberly in July, was a leading member of the Foreign Office group that led to Rhodesia's transition to the independent state of Zimbabwe.

Renwick, 49, who was head of Rhodesia department at the CCC and as petition adviser to Lord Soames, Rhodesia's last governor, and together with Sir Anthony Duff, now Mrs Thatcher's head of security services, helped dissuade Ian Smith's army commander from mounting a pre-independence election coup.

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Renwick, married to a Frenchwoman, is as much a European as an African buff.

## Men and Matters

and is a committed supporter of the European Community. He was a prominent member of Mrs Thatcher's negotiating team which finally extracted a substantial budget rebate for Britain under the Fontainebleau agreement of 1984.

David Steel was in bouncy form yesterday at what he described as his last engagement before the election campaign—a speech at Chatham House on "Britain as a European power."

Before launching into his prepared speech (which contained, according to Foreign Office officials, "nothing that Sir Geoffrey would disagree with"), he said he hoped the campaign would be good-humoured and that politicians would not forget the "weapon of the press."

He then proceeded to offer examples of the latter. On Denis Healey's Moscow gaffe: "It must be the first time in history that the Labour party has written its own Zinoviev Letter. Either that or Denis is so unused to finding support anywhere that it turned his head."

On the Tory defence white paper: "I found my own name in the index and those of all the Conservative cabinet. The only name you won't find in there anywhere is Michael Heseltine's. He's been written right out of history in the best Soviet style."

**Self service**  
 The best brains in the BBC have long pondered on the problem of how to tell the millions of licence payers about its activities. The annual report and handbook—price £8, print run 11,000—reached only a fraction of its audience, and the press has been a bit unfriendly in recent years. The answer, the BBC has now



"That joke you told Denis Healey hasn't travelled too well"

decided, is... a television programme.

The programme will be broadcast on BBC1 as the BBC's annual report to its "shareholders"—the viewers. A formal report will still be submitted to Parliament, however.

The BBC hierarchy is so taken with the idea of communicating directly through the magic of television that the programme may even occupy some 1-2 hours of prime time some evening in January.

BBC director general Michael Checkland, who will appear in the marathon programme with his chairman, Marmaduke Hussey, said yesterday it would reflect the highs and lows of the broadcasting year.

"We also need to explain how our income of nearly £1,000m a year is spent," Checkland added.

The acid test of whether the BBC can make an honest programme about itself will surely

be how it explains the abrupt departure of former director general, Alasdair Milne "for personal reasons" during the year.

The programme should at least give some temporary respite to the TV schedulers who have been taking a fearful battering from mps BBC in the ratings for the past few months.

## Rintoul's return

Peter Rintoul appears to have wooed and won Leda Investment Trust with intentions more honourable than those of the swain.

If Leda shareholders approve restructuring proposals announced yesterday, he will have succeeded in reviving Graham Rintoul as a fund management business 14 years after the original family firm disappeared into Gartmore Investment.

Rintoul has been planning his comeback since 1965, when he resigned from the Gartmore board, where he had been in charge of investment trusts, in the wake of a wider clash over management styles.

The original Gartmores Rintoul Hay Bell, known as "Hell's bell" on its Glasgow turf, had moved into investment management from its accountancy antecedents two generations ago. Rintoul, aged 41, repeated the pattern in his own career.

When Gartmore took over the old firm, Rintoul salvaged the brass plate from its London office (at the cost of irreparable damage to a pair of trousers). It lies now in the hall of his home, awaiting its return to the City.

**Now you see it...**  
 Rebuking a Labour charge that the Government had "fiddled" the unemployment figures on 18 separate occasions, Ian Lang, Scottish Under Secretary, told the Commons yesterday: "There have been only six discernible changes."

Observer

## A CONFLICT OF INTERESTS?

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THE PROBLEMS of strong international demand for sterling are problems which most governments would prefer to have rather than those arising from currency weakness and a crisis of confidence. But they remain problems none the less.

Faced with rising demand for sterling, there are three policy responses open to the Treasury and Bank of England:

- 1 They can allow sterling to rise.
- 2 They can intervene in the foreign exchange markets and accumulate reserves.
- 3 They can cut interest rates until the demand for sterling falls off.

We have, of course, been here before. This was during the sharp rise in sterling in the late 1970s. This started in 1977, when confidence recovered after the Labour Government's agreement with the International Monetary Fund. The upswing went into a second phase during 1979-80, when the second oil price explosion coincided with the advent of the Thatcher Government and the coming on stream of North Sea oil.

The Labour Chancellor, Denis Healey, at first resisted the rise in sterling on the advice of the Treasury, with a mixture of options two and three—lower interest rates and intervention. As a result official foreign exchange reserves rose by \$17bn in less than a year and the Minimum Lending Rate fell by 10 percentage points to as low as 5 per cent.

Eventually in the autumn of 1977 Mr Healey switched from Treasury to Bank and decided to uncap sterling. This was mainly because intervention to hold down the pound led to a rapid acceleration in the money supply for which targets had just been established.

Governments can try to sterilise the monetary effects of intervention by selling securities. But in practice this proves very difficult, although the reasons are in some dispute. Selling gilts tends to depress their prices and raise their yields, and this in turn makes sterling assets all the more attractive to overseas holders. Several international studies have suggested that intervention has to be partially successful if it is to hold the currency at the desired level.

Whether for these reasons or for more prosaic market management ones, gilt-edged analysts believe that debt sales fall short of government borrowing in April. Sterling is up 15 per cent on a year ago and the increase could be higher still when the April figures are announced next week.

The Government's policy on this occasion is an early Healey period mixture of options two and three: that is

## Economic Viewpoint

# Sterling matters more than money

By Samuel Brittan

Interest rate cuts and the accumulation of foreign exchange reserves. Actual intervention in the foreign exchange market has been much larger than the published rise of \$2.57bn in the reserves in March and April.

The two alternatives to the present course would be to let sterling soar as in the late 1970s, following option one, alone, or to reduce short-term interest rates to whatever extent necessary to choke off overseas demand for sterling, following option three alone.

Leaving sterling to go through the roof would be pretty counter-productive, considering that the achievement of a real growth rate above that of other countries is mainly due to last year's successful sterling devaluation. A soaring pound might help to achieve near-zero inflation, but at a great price in recession.

The Thatcher Government did of course follow option one and let sterling soar in its first two years of office; and nearly all the serious argument about its degree of responsibility for the unemployment explosion goes back to those years—reminding one of the way that historians still argue about the effects of Churchill's return to gold at the pre-First World War parity in 1925.

There is little doubt that the combination of the over-valued pound and the pay explosion following the collapse of Labour's pay policies did precipitate the rise in unemployment, the blitz on overmanning, the productivity turnaround and the subsequent fall in inflation. In other words the roots of most of what is both good and bad in the Government's economic record go back to these two early, controversial years.

Apart from changing economic fashions there is one crucial difference between 1979-80 and the present. In 1980 inflation rose to nearly 20 per cent and there were strong arguments for giving priority to puncturing inflationary expectations so that policy could be free to concentrate on other matters. The policy adopted then is not one which one would wish hindsight to recommend, but there was a case to be made for it at the time.

With underlying inflation now at 4.4 per cent, the argument for risking a downturn and contributing to world recessionary pressures to reduce inflation further is very much weaker; and the argument for preserving a stable pound in the foreign exchange markets accordingly stronger.

The rise in sterling in the late 1970s was mostly against the dollar. But a much better guide at present is the movement of sterling against the D-Mark.

Those analysts who say that the 1986 improvement in competitiveness has already been eroded are either thinking in terms of the dollar, or they have forgotten that towards the end of last year sterling fell to the bottom end of its unannounced range against the D-Mark and the atmosphere of crisis that the fall engendered induced the 1 per cent increase in base rates in October to stabilise sterling was widely denounced as inadequate by many City voices who declared it should have been 2 per cent.

All that has happened up to now is the earlier and potentially inflationary weakness of sterling has been reversed. But the critics are

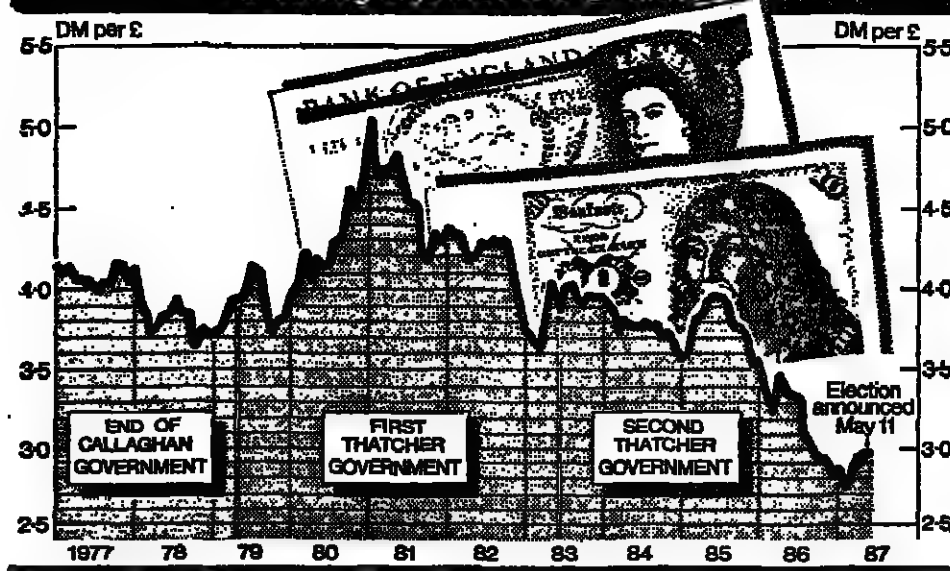
right to say that if sterling goes much above DM 3 it will have burst right through the Chancellor's range, and competitiveness would be endangered. Given that there are limits to sensible intervention, should the Treasury go further with option three and reduce base rates to whatever proves necessary to keep sterling within its intended range?

My short answer is "Yes," subject to certain conditions. Base rates should probably not go down by more than about 1 per cent to say 5½ per cent, until this unnecessary election is out of the way. For it will be difficult to reverse any cuts, should the markets be affected by a bad April trade figure or should the option polls prohibit more than expected. But what the Chancellor should do is to explain on television that interest rates—like share quotations—are prices, which like all prices, can move in either direction. And this principle should govern the actions of any government that takes office on June 11.

But the more likely event for the time being is of sterling being subject to more upward pressure and interest rates being conservatively low rather than high. It would be surprising—although not impossible—if short-term interest rates went as low as 5 per cent, considering that world real interest rates are now substantially positive, whereas they were negative a decade ago. Nevertheless they might have to go at least temporarily to well below 5 per cent.

The bullish forces for sterling are, of course, no longer all nor even the Thatcher factor. They are much more a realisation of the fact that the D-Mark and its expected to remain so, a lid will be put on

## Sterling against the D-Mark



such an obvious need for a risk premium on sterling assets. Yet UK short-term real interest rates are still about 2 percentage points above the international average. Long-term rates are also slightly higher. Price earnings ratios in the London Stock Exchange are said to be comparatively low; and real estate in London and the south east is all too obviously attractive to international purchasers.

Although intervention tends to boost the money supply, so too, if a little more slowly, do cuts in short-term interest rates. The latter would probably also boost the Treasury's favourite monetary indicator, M0.

But, as Gavyn Davies of Goldman Sachs remarks, the sterling link with the D-Mark "is the ultimate inflation backstop." Any easing of monetary policy "which does not threaten the exchange rate target does not, by implication, threaten the inflation target either."

Anticipating the money supply critics, Mr Davies remarks: "It is ludicrous to demand that the Chancellor should follow an exchange rate target with one breath, and then with the next complain that monetary policy is being 'eased' in order to keep his target intact. Provided the exchange rate target is kept intact, then any easing in domestic monetary policy is unlikely to have undesirable consequences for inflation."

It was in fact never very sensible to have unequalled monetary targets for a highly open economy, unless they were subjected to an exchange rate override. So long as sterling remains very firm against non-inflationary currencies such as the D-Mark and is expected to remain so, a lid will be put on

all costs and prices subject to international competition.

Even so, it would be wise to find ways of offsetting an otherwise unwanted monetary stimulus; and the obvious way to do so is by tightening not monetary, but fiscal policy beyond that implicit in the Chancellor's target borrowing requirement of 1 per cent of gross national product, or 2 per cent without privatisation. The most painless way of doing so would of course occur if tax receipts rise faster than expected and are used to reduce the public sector borrowing requirement. But if this is not enough, the next government will have to consider either a cash squeeze on public spending or postponing the tax cuts pencilled in for next year.

The main demand management case for a fiscal tightening would be pre-emptive; to offset the further interest rate cuts which are likely to occur. A fiscal tightening would also make sense in structural terms. For it would lead to an improved current balance of payments, or to put it in a more illuminating way, the UK would be accumulating further overseas assets to offset the liabilities arising from overseas investment in this country.

No purely macro policies can however deal with the one sector of the economy that does already show signs of advanced overheating: the housing and property market, especially in the south-east. This, as John Muirhead has pointed out, is the most likely source of an acceleration of pay increases which would terminate the upturn. A sensible government would seek specific policies to dampen down soaring housing and land values instead of imposing a blanket slowdown on the whole economy.

## Lombard

# Strangled with a green belt

By Anthony Harris

MR NICHOLAS RIDLEY has managed to go out with a thud. Almost his last official act as Environment Secretary before the dissolution was to reject a plan to turn Hurn airport at Bournemouth into a high-tech industrial park. This is perhaps the only occasion on which an airport has been protected on environmental grounds.

Here Mr Ridley, protector of the green belt, appears in his possibly truer guise as protector of the vested interest; it was, perhaps, the threat of an out-of-town shopping centre which aroused local opposition, more than the threat to the peace of a third-rank airport. The belt itself remains the inviolable frontier of the Thatcher revolution; and it could prove the constriction which finally strangles it.

The idea of a green belt was born in the garden-city-minded days of the 1940s. Its purpose was stated to be mainly to preserve access to the countryside for dwellers in big cities, but in this respect it has been a very limited success; much of the belt is heavily enclosed, and is simply something you have to drive across to get to the real country on the far side.

Its more important objective was to force development into new centres, and to prevent Ribbon Development, to adopt the horrible capital letters of pre-war aesthetes. It was supported by the creaky apparatus of Industrial Development Certificates, which forced successful businesses to become uncomfortable by spreading their activities to remote and inconvenient places. IDCs vanished long ago; but the belt, and the misuse of environmental protection to protect individual access to the countryside, persist.

What amounts to a Prevention of Development Act should have no place in a free economy. It is an offence to the unemployed, who cannot move to where the work is; and it places Britain, already rather unfavourably sited in the European market, at a further disadvantage to countries such as France, which are willing to stimulate and guide development rather than to throttle it.

What is more, it is not even good planning. A green belt looks good on a map, just as high-rise development looks good on a table-top model. On the ground, on the other hand, the US style of ribbon development, with houses strung along secondary roads, allows whole generations of children to grow up with genuine access to open country, which runs right up to their back fence.

Even in cities, it is not a belt outside the city which helps most citizens, but stretches of valley and parkland reaching near the centre. I was lucky enough to spend the last decade of my adult life in Cambridge, and then in Oxford. In both those cities (admittedly small ones) you can start a country walk within five minutes from almost any point. Finally, the idea is hopelessly out of date. It was conceived before there were motorways, when the railways were still the main carriers of freight, and indeed when factories were smoky and industrial products bulky and massive. In the modern world a motorway is the natural spine along which activity develops, as every estate agent knows. To frustrate this pattern is exactly the wrong way to cling to Victorian values.

If Mr Ridley, or his successor, wants to show a bit of French flair, and some concern for the recreation of ordinary town dwellers, he should set to work on a new Town and Country Planning Act, based on an up-to-date notion of environmental values and environmental threats. He should spend a day or two north of Newcastle, the one, flawed attempt to develop a really modern linear city in Britain; and he should make funds available to complete the Lee Valley linear park, which will bring something like country right to the fringes of the Dockland boom area, and plan to clear further such green fingers.

I for one will be combing the party manifestos for any sign of thinking along these lines, but with little or any hope. As Mancur Olsen has observed, a decadent state is one in which vested interests have acquired blocking rights. The Mottled Green party has yet to emerge.

## A random trust

From Professor N. Simmonds.

Sir,—Barry Riley in his interesting article on unit trusts (May 9) refers to the seven-fold increase of capital in 10 years by the average unit trust. He also remarks that the all-share index rose eight-fold in the same decade but said that that was "another story".

Is it? It sounds, as though investors would have done better, on average, by buying a random equity share sample, thus avoiding both the expense and apparent incompetence of unit trust management. Is there (or has there been) a "random trust" big enough accurately to sample the equity market? If so, how did it do? If not, why not?

Allowing for sampling effects ("errors") have unit trusts demonstrably done better than average?

(Professor) Norman Simmonds, 9 McLaren Road, Edinburgh.

## UK risks from Chernobyl

From Mr D. Webster

Sir,—Dr Clark of the National Radiological Protection Board (May 9) may have misled those readers who have not studied the NRPB Chernobyl report for themselves. He comments that restrictions placed on foodstuffs elsewhere in Europe "inevitably appear to be more effective than action in the UK in reducing radiation doses to the most exposed groups, because deposition of radioactivity was higher. This is not the case."

In Holland, for example, the NRPB estimates that the highest thyroid doses would have been almost the same as those in the UK (in fact slightly lower) if neither country had taken any countermeasures. In the event the Dutch cut their maximum doses by half, while those in Britain were reduced by only 8 per cent. This was purely because the Dutch authorities took more vigorous action.

Dr Clark sits it to pour scorn on my insistence on looking at the highest doses received by some children, rather than at the general UK average. In doing so he departs from the principles of the International Commission on Radiological Protection, which makes it clear that in an accident the primary requirement is to limit doses to the most exposed individuals, and that doses should always be kept as low as is reasonably achievable. Does the NRPB consider that the action taken in Holland was unreasonable?

It would seem particularly difficult to argue that more should not have been done here, because of the extreme sim-

## Letters to the Editor

plcity of some of the available measures. For instance, as Dr Clark shows, even to have advised the parents of children living on farms in the high deposition areas that they should drink milk only from pooled supplies would have cut some children's doses substantially, and cost nothing. Yet he, along with everybody else, would only that there was "no health risk."

David Webster, 38, Crompton Avenue, Cathcart, Glasgow.

## Lobbying in the EC

From Alison Ruschman and Janice Markarian

Sir,—Your article on lobbying the EC (May 8) gave only a partial picture. The Community is not only of interest to big business, and the role of the EC lobbyist extends far beyond helping big companies influence proposed EC legislation.

The Community also offers a range of assistance in the form of funds, loans, contracts and business opportunities to companies (especially small ones), universities, research establishments, local government bodies and interest groups—and it is in this area that many EC consultants provide valuable information and advice.

By acting as an interface between the Community institutions and the world at large, the EC consultant fulfils a need which many EC officials are only too willing to admit they cannot meet—publicising and promoting the opportunities offered by an expanding European Community.

Alison Ruschman and Janice Markarian, 60 Avenue de Cortenberg, 1040 Brussels.

## Small change required

From Morie Bonnaud

Sir,—Those men and women who were not resident in UK when the national health scheme came into being in July 1948 and who, when they eventually became UK residents within, say, five years after that date, received on retirement (as do all other latecomers) only a proportion of the standard basic rate of pension—all increases being treated in like proportion. What started out as a deficit, on average, of approximately £15 per week has now increased to

a deficit of over \$10 per week. Mrs Thatcher was approached some time ago and asked to consider the case of those on reduced pensions who are now 75 years of age and who are finding it increasingly difficult to meet their financial commitments in the light of the present economic climate, by allowing such individuals a larger proportion of the standard basic rate.

The only reaction to such an appeal has been to point this small category of pensioners to the Supplementary Benefit door. But there are a number who for obvious reasons do not qualify for this benefit but who are nevertheless very hard-up.

Morie Bonnaud, 2, Southlands, 40, Queens Rd, Weybridge, Surrey.

## Young firms and unemployment

From Dr D. Storey and Mr S. Johnson

Sir,—Nicholas Stacey (May 8) appears not to have read beyond the headline of your report "Small companies not the answer to unemployment" (April 30). If he had done so, he may have noted that our report suggests that small firms are making an increasing contribution to job creation and have an important role to play in the economy. Nowhere is it suggested that large firms represent the solution to the unemployment problem.

The key lesson which we have learned from a combined total of 12 years' research into small firms, during which we have interviewed well over 1,000 small companies in the UK and examined all the available statistics and studies in the UK, US and Europe, is that the employment performance of both large and small firms is so diverse that generalisations are dangerously misleading. The responsibility for the creation (and destruction) of the vast majority of jobs in the economy lies with a tiny minority of firms, both small and large. Any government which wishes to influence the rate of job creation in the small firm sector should concentrate its attention upon identifying and assisting these few just growing firms, rather than trying to maximise the number of new firms, a large proportion of whom, as Mr Stacey rightly points out, will fail within a very short time.

The so-called "emerging enterprise culture" which is so highly praised by Mr Stacey is in reality the product of the recent world recession and the lack of competitiveness of UK industry overseas which resulted in the level of unemployment rising by almost 2m between 1979 and 1982. Stacey's study has shown that only a small proportion of new firm founders start their firms with intention of making large profits. In contrast as many as 50 per cent set up a business due to unemployment or fear of redundancy. The trend of new firm formation and self employment between 1979 and 1986 follows almost exactly the trend in unemployment over those same years.

We have considerable sympathy for the plight of the small business owner, particularly in today's harsh economic climate. Most however, simply want to be left in peace to make a modest living.

(Dr) David Storey, Steven Johnson, Centre for Urban and Regional Studies, The University, Newcastle upon Tyne.

## Dangers in travel

From Dr A. Landy

Sir,—I read (May 8) with interest the article by David Sowers ("Happier landings") and noted the associated statistics, particularly the claim that "the risk of being killed... on a British airline is... less than half that of being killed when travelling on British Rail." When, as here, the measurement of safety is the ratio of deaths per passenger-mile, the statement is undoubtedly true, but it presents us with the problem that it is counter-intuitive; most people would class flying as a dangerous way to travel, certainly much more so than going by train.

A much more appropriate measurement of safety would be the ratio of deaths per passenger-journey. By far the most dangerous periods in a flight are those of take-off and landing—both of which occur just once per flight, no matter how long it is. I would suggest that the popular assessment of transport risk depends on the perceived chance of completing a journey without mishap. We feel safer in cars, because we almost always arrive safely. Accidents involving cars and trains are rarely fatal, whereas an aeroplane crash usually kills all the passengers.

If risk were calculated as deaths per passenger-journey, flight would be seen as the dangerous form of public transport that it is. (Dr) Aron Landy, 8, Holme Chase, N2.

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## INTERNATIONAL APPOINTMENTS

## Top Spanish banker and de Benedetti in talks

BY TOM BURNS IN MADRID

THE FORMER Bank of Spain Governor, Mr Jose Ramon Alvarez Rendueles is likely to become Mr Carlo de Benedetti's man in Madrid when the Italian tycoon launches a promised holding company in Spain in the near future.

Mr Alvarez Rendueles, 46, was appointed last year chairman of Banco Zaragozano, an Argon-based bank which is currently negotiating its role as the major domestic partner in a Spanish-style version of Mr Benedetti's Cetus Holdings of France with Mr de Benedetti's Cie. Industriali Riuniti, of Italy.

A spokesman for Mr Rendueles said yesterday in Madrid that negotiations would be concluded by next month. Talks between Banco Zaragozano and Mr de Benedetti's Cie were at present centred on the entry of a second Spanish partner into the projected holding and of the possible addition of a fourth major shareholder which, if it is approved, would be a non-Spanish group.

The second Spanish partner under discussion is understood to be the fast growing construction and real estate company, Construcciones y Contratas, which is owned by the Alcorca family and has Mr Ramon Araces, the proprietor of the Cortes Ingles department store chain, as its chairman. Construcciones y Contratas owns 30 per



Mr Jose Ramon Alvarez Rendueles, former Governor of the Bank of Spain, in line to be Mr Carlo de Benedetti's man in Madrid

cent of Banco Zaragozano. Mr Alvarez Rendueles was the youngest-ever Governor of the Bank of Spain, the country's central bank, a post he held from 1978 to 1984, serving both Centrist and Socialist governments. On leaving the Bank of Spain he assumed the chairmanship of Produccion Fiereh, the Spanish subsidiary of the Italian tyre group, and the vice-

chairmanship of Hispano Olivetti, an appointment which brought him into close professional contact with Mr de Benedetti.

The Italian tycoon, who was in Spain last week, has said in Press interviews that he plans a Spanish holding company, modelled on his Cetus venture in France, which will have an initial capital of \$50m. Mr de Benedetti's Cie group is expected to hold 40 per cent of the future Spanish holding.

## Citibank in new departure

By Rand G. Khouri in Amman  
Jordan has its first woman general bank manager, following the announcement that the Jordan branch of Citibank, the New York money centre bank, has appointed a Jordanian woman, Miss Chade Dabbas, its Jordan Corporate bank head, as general manager in charge of Citibank operations in Jordan, Syria and Iraq, effective June 7.

With her appointment, to take the place of Mr Zuhair Soomro, who is to take up a post with Citibank in Saudi Arabia, Citibank's Jordan-Syria-Iraq operation will be managed by an all-Jordanian team.

## Elders in finance move in New York

ELDERS IXL, the Australian-based diversified industrial and financial concern, has announced that Mr Gene Donney is to be president and chief executive of Elders Futures Inc., its New York-based futures and options operation. Mr Donney, 34, assumes responsibility for brokerage, clearing, sales and exchange activities in New York, Chicago and Geneva.

Elders acquired Rudolf Wolff Futures Inc., of the US, last year, and renamed it Elders Futures. The concern operates in such fields as energy, financial futures, precious metals, currency and managed products areas.

## Reshuffle near top of American Brands

AMERICAN BRANDS, the US concern with substantial interests in tobacco, has announced that Mr Virgilus Lougee III, 68, is to retire as company president on December 31, and has resigned as chief operating officer. Mr William Alley, vice chairman, has taken over the additional post of chief operating officer.

## UBS gives boost to younger generation

BY JOHN WICKS IN ZURICH

THE ELECTION of Mr Robert Holzach, who has just announced his decision to retire next year after having headed the board since 1980, means that the "younger generation" is to take over the reins of the biggest Swiss bank.

Mr Studer, who is 49, is to succeed Dr Nikolaus Senn next



Mr Robert Studer, 49, moving towards the top of Union Bank of Switzerland

year as president of the UBS executive board. Dr Senn, now 69, will be nominated the chairman at the 1988 annual meeting.

Mr Studer, in his turn, will replace the 65-year-old Dr Robert

Holzach, who has just announced his decision to retire next year after having headed the board since 1980. Mr Studer has long been one of the brightest stars among Switzerland's younger bankers. He joined UBS after an apprenticeship in 1967, and acted in his thirties as a representative of the bank in Beirut and New York before returning to Zurich.

He was made general manager at the age of only 42, and has since been in charge of the UBS finance division, which covers such things as securities operations, and foreign and domestic capital markets operations.

TEXAS EASTERN, the interstate supplier of natural gas to the east coast of the US has announced the promotion of two officers to senior vice president. Mr Paul M. Anderson has been elected senior vice president of strategic planning and petroleum services, and Mr J. Michael Conway senior vice president and chief financial officer of the corporation.

In addition, Mr James R. Hipple and Mr James R. O'Hare have been elected vice presidents of the company. Mr Hipple is Texas Eastern's corporate controller and Mr O'Hare is corporate treasurer.

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For senior consultant positions, candidates will be qualified accountants, with an honours degree and five to ten years post-qualification experience in industry or commerce, who can demonstrate proven achievement. Experience must include some responsibility for systems development as well as line management in the finance function. Personal qualities will include the ability to communicate clearly both orally and in writing. Previous overseas experience would be an advantage.

For consultant positions we are interested in people over 26 who have less industrial or commercial experience but who otherwise meet the profile indicated above.

We offer outstanding opportunities to gain experience in a wide variety of industries and to work with stimulating colleagues from a number of disciplines. The salary and benefits package is generous and the additional allowances granted on longer overseas assignments provide considerable opportunities for saving. There are excellent promotion prospects within Peat Marwick McLintock for those who wish to pursue a career in consultancy.

Please write in confidence, enclosing a brief summary of your qualifications, experience and remuneration history, quoting reference A/MY7 to Mike Coney, Recruitment Manager.

KPMG Peat Marwick McLintock

Management Consultants

1 Fuddle Dock, Blackfriars, London EC4V 3PD.

## "KEY SUPPORTING ROLES"

Our client is a well-established and profitable US-owned multinational, marketing and distributing multi-media information products throughout the world. High standards of financial control and management information are needed in order to sustain a steady growth rate, and to further strengthen the European finance function. Accordingly 2 qualified accountants are required for the company's divisionalised European HQ, based in West London. Attractive remuneration packages are offered including company car, private health care, pension schemes and substantial performance bonus.

## Finance Manager, Europe

c.£20,000 + Car + Bonus

Reporting to the Financial Director, this newly created position covers responsibility for monitoring and reporting on the performance of European subsidiaries. This will involve a wide range of special projects such as feasibility studies, product costs, the development of business plans, budgets and forecasts and systems reviews. The development of a close working relationship with local management is essential to the position and therefore the successful applicant will be required to spend 40-60 days p.a. in Europe. Candidates will be qualified Accountants aged 26-35 demonstrating commercial acumen and experience, gained preferably within an international environment. Ideally you will be able to use a second major language, either French or German.

Please apply directly to Suzanne Wood at Robert Half Personnel, Mountbatten House, Victoria Street, Windsor, Berks SL4 1HE. Tel: (0753) 857181, evenings (01) 876 5405.

## Chief Accountant, UK

To £17,000 + Car + Bonus

Reporting to the Financial Controller, key responsibilities will be for managing the staff and activities of an accounts department with eight people. This will involve reviewing monthly management accounts and profit forecasts, producing year end statutory information for both UK and US purposes and undertaking systems reviews. In addition you will be required to assist the controller in the production of budgets and forecasts. This broad and challenging role offers considerable exposure to both senior operational management and highly sophisticated computerised systems. Candidates, aged 24-28, will probably be recently qualified accountants looking for their first move from the profession.

ROBERT HALF  
FINANCIAL RECRUITMENT SPECIALISTS  
LONDON BIRMINGHAM WINDSOR MANCHESTER NEW YORK & 15 OTHER CITIES WORLDWIDE



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01-248 4782

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01-329 4726

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01-236 3769

## Financial Manager

Central London to £40,000 + Car

We are acting for a publicly quoted group engaged in a service industry. Rapid growth has resulted in a reorganisation at the centre and created a need to appoint a Financial Manager who will report to the Group Finance Director. The role is extremely flexible covering a wide variety of non routine work but also embraces the responsibility for managing the production of monthly accounts, budgets, currency management, stock exchange information and acquisition work. We are seeking a highly motivated Chartered Accountant under 35 who has broad technical ability and a proven record as an achiever. The capacity to act quickly and decisively to meet strict deadlines is crucial. Prospects of progression within the group are excellent. Terms embody a salary of £35/40,000 plus fully expensed car, profit share, pension and medical cover. Applications in strict confidence to R. J. Welsh.



**Reginald Welsh & Partners Ltd**  
ACCOUNTANCY & EXECUTIVE RECRUITMENT CONSULTANTS  
123 / 4 Newgate Street, London, EC1A 7AA. Tel: 01 600 8387



**WHITBREAD**

## SENIOR FINANCE OPPORTUNITIES

London and South East based  
Salary negotiable up to 35k+ car and benefits

Whitbread, a 46,000 employee, £1.5 billion turnover business, is now strongly positioned in three principal activities - brewing and wholesaling, retailing and leisure, and wines and spirits. The company is profitable and well structured in both organisational and financial terms and divided into divisions/companies. Although most of its revenue is earned in the UK, there are substantial and growing operations in North America and Europe. Traditionally, Whitbread has been consistently successful in developing its own talent. In the financial function, recent internal moves both centrally and in the operating businesses, leave the company with some gaps in its succession plans for key financial roles in the company. This has led the Group Controller to seek two

or three talented and ambitious young, chartered accountants to fill some challenging roles either in the Centre or the Divisions. The type of individual we seek should have several years post qualification commercial experience and may already be close to board (or equivalent) level but seeking the wider scope that a business of Whitbread's scale and pedigree can offer. Specific experience in the image, retail and leisure sectors would obviously be useful as would overseas and acquisitions exposure. Salaries on offer are highly flexible in the £25,000 to £35,000 range and other benefits are very attractive. For an initial discussion, please send a full cv including current salary details, quoting reference W/3468, to Mike Smith.

## ENTREPRENEURIAL FINANCE DIRECTOR

KENT

c £25,000 + car + bonus + relocation package + equity participation

Lydd Airport has recently been acquired by a new operating company supported by substantial backing from a leading City based Venture Capital organisation. Plans are in place to develop and expand the site with a view to it becoming a major airport complex offering a variety of auxiliary airline services, in addition to Aircraft Chartering and Sales activities.

There is an immediate requirement for a Finance Director to join a small executive team in a high profile role. Working closely with the Managing Director this role will have significant impact across several areas including mainstream finance, computer selection and

installation, tax, treasury and strategic planning. Due to the highly responsible nature of this position the successful applicant will be expected to become heavily involved in third party negotiations and feasibility studies instrumental in determining the group's future development.

Applicants should possess a recognised accountancy qualification together with a background in an industry connected with aviation. The likely age range is 30-35.

For further information please telephone Neil Gillespie on 01-930 7850, or alternatively write, enclosing brief details, to the address below:

**ROBERT • WALTERS • ASSOCIATES**

RECRUITMENT CONSULTANTS  
66-68 Haymarket London SW1Y 4RF Telephone: 01-930 7850

**KPMG** Peat Marwick McLintock

Executive Selection and Search  
9 Creed Lane, London EC4V 5BR

## Young ACA

Age c.25

c.£20,000 + car

A unique opportunity to become the first Assistant Financial Controller in a rapidly expanding PLC has arisen. The firm is already a leader in the provision of high quality financial services. Head Office is in the West End.

Reporting to the Financial Controller, the new man or woman is to be responsible for financial and administrative support, with emphasis on producing prompt management information and special investigation reports. Future plans include Head Office computerisation, and expansion by acquisition.

**Roland Orr  
& Partners**  
Management Consultants

12 New Burlington Street London W1X 1FF Telephone 01-439 6891

Ideally this challenge will suit a young newly qualified chartered accountant from a medium sized practice who is now ready to join a dynamic expanding company. Experience should preferably include consolidations and tax with some DP knowledge. The ability to communicate on financial matters accurately and clearly is essential. Salary is negotiable around £20,000. A car will be provided. Prospects depend upon performance and future profitable growth. Please send full career details to R. N. Orr, stating if in confidence, quoting reference M3301, or telephone for a form.

## Financial Director

designate  
c £25,000 pa plus car  
Leeds

Our client is Andrew Page Limited, for more than forty years a well-known family owned Company with a thriving Yorkshire business distributing high quality automobile parts and components.

Their plans for further profitable expansion have created a vacancy for an experienced Financial Manager with the potential to be appointed Financial Director by the end of 1987.

The successful candidate will be responsible for managing the accounting and information systems of the Company and its branches and will be expected to contribute skill and enthusiasm to corporate business strategy.

Candidates must be well-educated, professionally qualified and able to demonstrate technical and managerial competence in handling computerised systems in a competitive and customer conscious environment.

Applicants living within commuting distance of Leeds should write quoting reference 1494 with a daytime telephone number and a current CV including present salary to:

**BinderHamlyn**  
MANAGEMENT CONSULTANTS  
Trevor Austin, Executive Selection Division  
Binder Hamlyn Management Consultants  
8 St Bride Street, London EC4A 4DA

## COMMERCIAL DIRECTOR

Fashion £25K

Qualified accountant, having spent time in commerce and wishing to put his managerial talents/disciplines to work in this well established Co. supplying young fashion to multiple retailers in UK, Europe & USA.

A strong computer-wise manager capable of taking decisions and seeing them through, not only of course in accounts and management info, but in monitoring and taking responsibility for the operational side of a business, heavily dependant upon its computer system. The opportunity to take hands-on control under the guidance of a willing MD has potential rarely offered within a private company.

CV to: Managing Director  
EXPERIENCE CLOTHING CO LTD  
76/78 Northmore Street, London W1N 7DE

## Accounting Manager

International Music Business



Central London

To £30,000 + Car

WEA International Services Ltd provides financial and administrative services to WEA International Inc. (a U.S. based company) and its twenty-four affiliated subsidiary companies and numerous licensees. The affiliates and licensees conduct their business in virtually every major country in the world excluding the U.S.

The environment is characterised by the high natural pace of the music industry, the international nature of the activity and a highly developed data processing system utilising the best of modern systems and communications technology.

This post is primarily responsible for royalty, sales and accounting reporting, responsible to the Vice-President Controller. Through departmental managers you would be responsible for a total staff of up to fifteen. The role would involve some travel both to the U.S. and elsewhere in the world.

We would like to talk to qualified accountants in their thirties who could bring to the role both proven technical capability in a sophisticated finance function, well developed leadership skills and a mature business appreciation. You need not necessarily have previous experience in a U.S. multi-national nor in a fast moving consumer business. On the other hand you do need to be an individual of high calibre who can be effective in an environment, such as this, where the achievement of agreed goals is paramount.

My client offers a highly competitive range of employment conditions.

Applicants of either sex should apply in confidence to Michael Johnson on (0962) 53319 (24-hour service) or write to Johnson Wilson & Partners Ltd., Clarendon House, Hyde Street, Winchester, Hampshire SO23 7DX quoting ref. 755.



**Johnson Wilson & Partners**  
Management Recruitment Consultants

## THAMES TELEVISION OPERATIONAL AUDITOR

London based

c. £22,000 + car

Thames Television, the largest programme contractor to the Independent Broadcasting Authority, invites applications for this important new function from computer literate Chartered Accountants with internal audit experience.

In addition to operating the IBA's London weekday franchise, Thames distributes programmes world-wide and is increasingly concerned with new developments in satellite and cable television. Reporting to the Managing Director, you will be responsible for reviewing the effectiveness of the Company's systems and of their related internal controls in financial and operational areas, and for making recommendations for improvements. The ability to communicate ideas effectively and imaginatively is particularly important.

Please write or telephone for an application form to:



Caroline Odell, Personnel Officer, Thames Television PLC,  
Broom Road, Teddington, Middx. TW11 9NT.  
Telephone: 01-977 3252 ext. 2605

Thames is an equal opportunities employer and we welcome all applications regardless of sex, ethnic origin and marital status.



**The British Printing &  
Communication Corporation plc**

## AUDIT AND BUSINESS REVIEW

The British Printing and Communication Corporation plc, one of the leading companies in the UK with expanding global interests, is establishing positions based in London and Oxford to monitor and advise on performance, systems, financial control and operational efficiency. Applications are invited for the following positions:

**GROUP HEAD OF AUDIT** c£30,000 + Car

The ideal candidate will be a qualified accountant aged around 35 with major professional firm and post-qualification operational audit experience. He or she should possess the strong leadership qualities required to establish an effective and respected professional team and have the ability to take a commercial approach to a variety of assignments.

**SENIOR AUDITORS** To £25,000 + Car

Candidates aged up to 30 will have trained in modern auditing techniques either within the profession or industry and will possess an analytical and enquiring mind.

All candidates should have the technical skills and presence necessary to operate at senior management level and the ambition to pursue a growing career path. They should be prepared to undertake travel within the UK.

Please reply in confidence with full curriculum vitae, including details of current remuneration and a contact telephone number to D.E. Shribman.

**HUDSON SHRIBMAN**  
THE COMPLETE FINANCIAL SELECTION SERVICE

Vernon House, Sicilian Avenue, London WC1A 2QH. Tel: 01-831 2323.

## Accounting in the City

**Financial Manager** to £25,000 + bank benefits + bonus

A progressive North European bank seeks a young ACA, aged 25-28, with proven financial sector auditing skills, to undertake advisory work and corporate accounting. This is a high profile role with excellent prospects. Ref: PW0409

**Financial Control Manager** c£30,000 + car + bank benefits

This is a key role within a highly profitable European investment bank, coordinating worldwide accounting information and advising on information technology requirements. Ideally you will be an ACA, aged 28-33, with international banking experience. Ref: SW0434

**Project Manager** to £35,000 + bank benefits

A leading North American bank making a significant impact in the international markets, seeks a qualified accountant, aged 30-35, with strong analytical skills to play an active role in developing systems for banking products. Ref: RS0435

**Corporate Financials** to £25,000 + bank benefits

A household name financial sector company, committed to expanding their range of services following deregulation, has outstanding opportunities for qualified accountants (ACA/ACCA/ACMA), from financial service backgrounds, aged 24-28, to undertake new product and acquisition projects. Ref: PW0427

Write or telephone: 01-256 5041 (out of hours 01-851 2502)

**Management Personnel**  
10 Finsbury Square, LONDON EC2A 1AD.



## Audit and Special Projects International Banking

c.£25,000 + Car & Banking Benefits

This is a high profile corporate role in a major international banking and financial services group. The purpose is to plan, organise and complete projects which are out of the ordinary, of high priority in corporate terms and sometimes involve high sensitivity. There will be a particular focus on controls and information systems, the quality of management information and profits. Small ad hoc teams will have to be assembled and led.

Applicants should be graduate accountants with 5 years post qualification experience of large scale audit or investigative work or with relevant experience in a major industrial or commercial group. Sound interpersonal skills, the resilience to see a project through and the ability to present well are important requirements. The experience should provide a sound base for further advancement. Location - The City.

Please apply in confidence quoting ref. L300 to:

Brian H Mason  
Mason & Nurse Associates  
1 Lancaster Place, Strand  
London WC2E 7EB  
Tel: 01-240 7805

**Mason & Nurse**  
Selection & Search

## Finance Director

Surrey

to £40,000 + bonus + car

This client, a significant division of a highly respected plc., is an exciting, fast moving and dramatically expanding communications group of companies. With a current turnover of £22m the division is a major contributor to the group's exceptional profit record. Further growth is anticipated through new product development and an aggressive acquisition policy.

The role of Finance Director will involve working closely with the Managing Director in directing, planning, and effecting the future strategy and expansion of the organisation in addition to controlling the financial affairs of the business.

Candidates will be qualified accountants, aged 35-42, having achieved board level

management skills preferably within an f.m.e.g. environment. Evidence of major contributions made so far are imperative as is the ability to display strategic thinking within a highly commercial environment. Please write enclosing full resume quoting ref. 132 to: Philip Cartwright FCMA, 97 Jermyn Street, London SW1Y 6JE. Tel: 01-839 4572

**Cartwright Hopkins**  
FINANCIAL SECTION AND SEARCH



## FINANCIAL CONTROLLER DIRECTOR DESIGNATE

SLOUGH AREA c. £25K + BENEFITS + CAR

Instrument Rentals (UK) Limited is a subsidiary of US Leasing Inc. and is involved in the short and long-term rental/leasing of electronic equipment. We require a Financial Controller to assume responsibility for all aspects of the company's financial direction. The successful candidate will be a qualified accountant with a number of years in a service industry environment and aged between 25 and 40. Knowledge of leasing and lease accounting would be useful but experience with US GAAP is an essential. Reporting to the Director and General Manager it is envisaged that the position will lead to a board appointment.

In the first instance please send curriculum vitae to:

Mrs Karen Young  
INSTRUMENT RENTALS (UK) LTD.  
Dorcan House, Meadfield Road  
Langley, Slough, Berkshire SL3 8AL  
Tel: 0753 44878

## MANAGEMENT CONSULTANTS

### FINANCE SERVICE INDUSTRY

£25-30,000 + CAR

We are retained by the Banking and Financial Services group of a major Management Consultancy practice whose rapid business growth has resulted in the need to recruit outstanding candidates as Consultants.

In this challenging role you will advise an impressive international client list on a broad range of activities, including risk management, foreign exchange, MIS operating procedures and control activities.

Candidates, aged around 30 years, should currently be working in a banking, broking or other financial institution environment. You should have strong experience in the audit, operational or accounting areas and in addition

you may be professionally qualified. Strong presentational skills and excellent analytical "problem solving" abilities are essential, as are numeracy and computer literacy from a user standpoint. Candidates with previous consulting experience, either internally or externally will be given priority.

Interested candidates should contact Sarah Beaumont on (01) 629 8070, or send a detailed curriculum vitae quoting Ref L203 to her at Slade Consulting Group (UK) Limited, Metro House, 58 St James's Street, London SW1A 1LD. All applications will be treated in the strictest confidence.

London • Melbourne • Sydney • Brisbane • Adelaide • Perth • Auckland • Christchurch

**SLADE CONSULTING GROUP (UK)**

## Investment and Financial Controller City

Salary c.£50K + Car + Equity Participation

Our client is a well founded technologically based Group backed by a leading City Institution, which has been established to develop and commercially exploit a range of advanced technology products and processes for selected UK and Overseas markets.

The Company now wish to appoint an Investment and Financial Controller to enhance and monitor existing financial and management reporting, and to participate in the acquisition and development of further companies and products.

Reporting to the Chief Executive, this appointment represents an outstanding opportunity for an innovative, entrepreneurial businessman who will be a Chartered Accountant aged between 35 and 45. In addition to executive duties the appointed candidate would be expected to be available to serve on the Boards of certain subsidiary companies.

Experience in a corporate development role either in industry or the City coupled with a familiarity with the techniques of investment appraisal is essential. Some working knowledge of the handling of Government related projects is desirable.

Interested candidates should send a detailed CV including current salary to Don Day FCA quoting reference LM879 at Spicer and Pegler Associates, Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.



**Spicer and Pegler Associates**  
Executive Selection

## FINANCIAL CONTROLLER

NORTH WEST c.£20,000 + PROFIT BONUS + CAR

Our client is a substantial manufacturing business that has undertaken major capital investment to increase production and profitability. Backed by a public group, the subsidiary now needs a high-calibre Accountant with the technical ability, strength of personality and commercialism to help the business grow rapidly with the support of strong financial controls.

Reporting to the M.D. and part of the executive team you will be given an excellent opportunity to prove your worth very quickly. Initially, you will be expected to assess current systems, reporting procedures and staff - before implementing improvements where necessary. The result of this review will be to provide a meaningful management reporting package that interprets performance in depth. Additionally, your manufacturing experience will enable you to develop the present costing and computer systems.

Apart from these priority assignments, your medium-term objective will be to bring increased professionalism and effectiveness to accounts administration, budgeting, cash management and the financial input to tactical and strategic commercial decision-making.

Good communication skills, a strong but flexible personal style and natural drive will be essential to succeed in this fast-moving and demanding environment.

This is an ideal No. 1 position for a Qualified Accountant, possibly a graduate, aged 28-35 who can already demonstrate a successful track record within a manufacturing environment.

Prospects and conditions of employment are excellent.

Please contact Lawrence Bennett or Dudley Harrop in our Manchester office quoting ref. M871.

Trident House,  
31-33 Dale Street,  
Liverpool L2 2HF  
Tel: 051-236 9373

**ASB**  
ASB RECRUITMENT LTD.

Eagle Buildings,  
64 Cross Street,  
Manchester M2 4JQ  
Tel: 061-834 0618

## Planning Accountant

Central London c.£18,500 + Car

Lloyds Bowmaker is the financial services subsidiary of the Lloyds Bank Group, employing over 3,500 people and providing a comprehensive range of credit and leasing services to commerce, industry and the individual customer.

The Group head office is based in Central London and we are looking for a Planning Accountant to join a small professional team within the Corporate Planning Department.

You will provide a comprehensive financial service to the Department and contribute to its growth and success. You will be responsible for the financial analysis of strategic plans and profit forecasts, the development of "what if" models, as well as cost analysis and ad hoc projects.

You will be aged 25+ and be fully qualified ACCA or ICMA. Experience of financial modelling on main-frame or P.C. essential. Experience of the financial services sector advantageous. A logical analytical approach and good communication skills are essential, as is the ability to work under pressure whilst producing high quality accurate information.

The benefits package is excellent and includes mortgage subsidy and private medical cover. Promotion prospects are excellent.

Please telephone for an application form or send in full C.V. including salary details, to: Teresa Bailey, Personnel Officer, Lloyds Bowmaker Limited, Finance House, 9/13 Grosvenor Street, London W1K 9FB. Tel: 01-491 3236, ext. 286.



**Lloyds Bowmaker**

## COMPANY INVESTMENT ANALYST

British Aerospace PLC has recently moved their Headquarters to prestigious new offices in The Strand.

It is in this professional environment that we are recruiting an Investment Analyst within the Finance Department to assume key responsibilities in the critical review and evaluation of investment proposals, including multi-million pound projects.

Working in a closely-knit team of four, your main objective will be to ensure that the Company's major investment decisions are financially viable, based on sound business assumptions.

A qualified accountant, in your late 20's or early 30's, you should be a fluid communicator with a minimum of 3 years' relevant experience, with exposure to senior management in a large international organisation. Your experience will include knowledge of similar business operations, investment appraisal techniques and an up-to-date knowledge of financial practices.

In return, the position offers excellent long-term career opportunities, along with a competitive salary and the kind of benefits package you'd expect from one of the country's leading companies.

To find out more telephone or write to Alexander Sneddon, Senior Personnel Officer, British Aerospace PLC, Corporate Headquarters, Brooklands Road, Weybridge, Surrey KT13 0SJ. Tel (0932) 53444 ext 3945.

**BRITISH AEROSPACE**  
...up where we belong

## Management Accountant

### Retail Group

c£20,000+car

Our client is a major UK publicly quoted group with substantial interests in the retail sector. A dominant force in its market-place the group has an impressive record of sustained growth and is forecasting continuing expansion in both turnover and profitability.

Based West of London, the Accountant will join a high profile management group responsible for the development, interpretation and presentation of essential business information. Managing a small department, he or she will review and analyse management accounts,

prepare short term forecasts, develop support systems and carry out a range of ad hoc projects. The growth of the group should lead to rapidly increased responsibility and provide considerable promotion opportunities.

Aged 26-30, applicants should be qualified accountants with proven commercial experience ideally gained in an f.m.e.g. environment.

Please write, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H586/GF.

**Lloyd Management**

125 High Holborn London WC1V 8QA Selection Consultants 01-405 3499

## Financial Controller

To £30,000 + non-contributory pension Central London

Our client is The Wellcome Trust, internationally known for its funding of research into human and veterinary medicine and the history of medicine.

It intends to support its scientific objectives with up-to-the-minute business and financial administration that reflects its responsibility for safeguarding substantial assets and investments.

This calls for the appointment of a professionally qualified Financial Controller to monitor investment performance and to manage the finance and accounting function.

The job requires significant experience in both areas as well as a mature, sensitive and assured approach in keeping with the style of this prestigious organisation. Applicants from the London commuting area should write quoting reference 1493 with a daytime telephone number and a current CV including present salary to:

**BinderHamlyn**

MANAGEMENT CONSULTANTS  
Trevor Austin, Executive Selection Division  
Binder Hamlyn Management Consultants  
8 St Bride Street, London EC4A 4DA



**ACCOUNTANCY APPOINTMENTS**  
5TH FLOOR, ELDON STREET, LONDON, EC2M 7LA

### CAPITAL BUDGET AND CONTROL ACCOUNTANT

£20,000 plus big 4 banking benefits  
Qualified graduates with extensive financial experience, with a knowledge of Capital Investments required for a progressive international division.

Benefits include: Mortgage Subsidy, profit share, annual bonus, overtime and pension.

**COMPANY ACCOUNTANT No. 2** £18,000

ACMA (Graduate) required for very profitable hi-tech market leaders. Rapidly expanding Company/Dept. Benefits include: Generous bonus bi-annually, family BUPA, share option.

**FINANCIAL CONTROLLER (F.D.)** £22,000 plus 2.0% Granada plus bonus

International Light Engineering Company, T/D Etna, east AC (ACCA). Responsibility for company secretarial duties and supervision of 10 staff.

Benefits include: Co. car, BUPA, pension, 25 days holiday, expenses and excellent prospects to F.D.

For these and other positions, please contact Howard D'Silva or David Peters on 01-638 2683 or write to:

**HMS ACCOUNTANCY DIVISION**  
5th Floor, 18/25 Eldon Street, London EC2M 7LA

**HESTAR MANAGEMENT SERVICES LIMITED**



## Financial Controller

Circa £20,000 + Car & benefits

An expanding Freight Forwarding Company near Heathrow requires a qualified accountant.

The successful applicant will have previous freight forwarding experience and will be required to produce monthly management accounts as well as managing the accounts department.

Good career prospects.

Applicants should send full details to The Financial Director.

Write Box A0525, Financial Times, 10 Cannon Street, London, EC4P 4BY.

## Assistant Financial Controller

West End  
c£35,000 + car

This client is a leading retailer, with international interests. Due to promotion there is a requirement for a qualified accountant to join the Group's head office and to manage a small, professional team.

This role, within an informal but highly successful environment, will involve considerable liaison with the main board and subsidiary senior executives. The individual will be responsible for the group accounting function, the appraisal of subsidiaries' performance and commercially biased projects on an ad hoc basis.

Candidates should be qualified accountants, with the ability to communicate effectively, have an analytical and a practical approach to problem solving. Age indicator 28-34.

The group seeks to expand by internal organic growth coupled with acquisition both in the UK and overseas. Thus they are able to offer good career prospects and attractive remuneration package including share options.

Please write enclosing full resume quoting ref. 131 to:  
Nigel Hopkins FCA,  
97 Jersey Street,  
London SW1Y 6JE.  
Tel: 01-839 4572

**Cartwright  
Hopkins**

FINANCIAL SECTION AND SEARCH

## DEPUTY GROUP TAX MANAGER

West London c£30,000 + car and benefits

Thorn EMI plc is a major manufacturing and service group with extensive UK and overseas operations.

The Group Taxation department is about to relocate to West London and a deputy is required to the Group Taxation Manager. Primary areas of responsibility will be UK corporation tax, the taxation of the company's overseas subsidiaries which number some 150 in 38 different countries, and the impact of overseas taxation on UK liabilities. In addition to these specific responsibilities the person appointed will deputise for the Group Taxation Manager in all other taxation areas.

Preferred applicants for this position will have at least five years UK corporation tax experience with a significant level of overseas taxation involvement. The ability to explain taxation matters to senior management of subsidiaries is essential as is the ability to organise a wide range of differing problems.

This is an ideal opportunity to gain in-depth experience with a multi-national organisation and would suit somebody from a professional office, another multi-national at a slightly lower level or from the Inland Revenue.

In the first instance please send brief personal and career details to Douglas G. Mison quoting ref. E/157M at Ernst & Whinney Management Consultants, Becket House, 1 Lambeth Palace Road, London SE1 7BU.

**Ernst & Whinney**

# THE BIGGEST CHALLENGE OF YOUR CAREER

### DIRECTOR OF FINANCE

As the Director of Finance is retiring, we are seeking to appoint a successor at a critical time in the Borough's history.

The Director plays a key role in enabling Camden to expand and maintain its programme of wide-ranging and imaginative services. The Council has long had the reputation of being one of the most forward-looking and progressive authorities in the country. Situated in Central London, Camden is a Borough of considerable contrasts. Whilst parts of it are thriving and dynamic with a large commercial sector, other parts suffer the deprivation so often found in our inner cities. It therefore presents a major challenge, particularly as the Council is experiencing the third year of ratecapping.

The role of the Finance Department is to enable the Council to fund its activities and provide the mechanisms for the effective financial management of service delivery. The Director must ensure that the Department undertakes this role successfully. Therefore, she or he will need to possess, and be able to use effectively, a wide

### Salary negotiable

range of highly developed management skills. Particularly, they will need to be innovative and sensitive to the competing needs of service committees and departments, and to corporate policy, when providing financial advice to the Council.

Camden has a strong commitment to achieving equality of opportunity, both in employment and service delivery. Our latest workforce survey shows considerable under-representation of black and ethnic minority employees, women and employees with disabilities in top management and professional posts. It is our intention to redress this under-representation.

Full details of the post, including the criteria to be met, the timetable for making this appointment, and application forms (returnable by 29th May), can be obtained by telephoning Martin House, Controller of Personnel Services on (01) 388 2484 ext 2500. Or write to him at 141 Euston Road, Camden, London NW1 2LL. Please quote ref no. 2/508/FT.

**EQUAL OPPORTUNITY EMPLOYER**  
Applicants are considered on the basis of their suitability for the post, with equal opportunities for women, black/ethnic minorities, disabled and gay men and people with disabilities, and regardless of marital status, age, creed, religion and unrelated criminal conviction. All posts are open for job-sharing.

**Camden Services**

**ACCOUNTANT - Birmingham**  
£15,000 plus car  
Reporting to the Financial Director, responsible for cost and management accounting. Ideal applicant should be fully qualified with two years' experience.  
Call Pauline Godley at  
AGENT RECRUITMENT  
on (0255) 471506

## INFORMATION SYSTEMS ACCOUNTANT

but a people person too!

c.£25,000 + car

London based

Our client is one of the world's largest and most successful financial services groups. This newly created position has been engendered by the continuing need to meet the information requirements of each of the profit centres within this wholly professional organisation. We are looking for a qualified accountant, probably mid twenties to early thirties, who crucially has experience of large scale Information Corporate Planning Systems, as well as exposure to project implementation. Flexibility and the ability to hold the confidence of a wide ranging level of end users is equally important. Career prospects within the company are superb and the base salary is generously augmented by a benefits package designed to attract the highest calibre candidate. Please send full career details to Malcolm Lawson, quoting reference LI 7077.

13/14 Hanover Street, London W1R 9HG. Telephone 01-495 5786.  
**Link International Search & Selection Ltd.**

## Financial Controller

(FINANCE DIRECTOR DESIGNATE)

Central London 28-34 To K25 plus package

Our client is an unquoted consumer products company, with £1m turnover. A qualified accountant, ACA, ACMA or ACCA, is needed to work closely with the Managing Director. The key role is to have a significant influence on profit and cashflow and take full responsibility for all financial matters, including the running of the accounts department. This requires someone with a proactive approach and a commercial outlook, who wants to be thoroughly involved in the business.

Previous experience as a Financial Controller of a successful family business, is preferable. Alternatively, a management accountant able to demonstrate the ability to have an impact on profit and cashflow will be considered. A working knowledge of financial computer systems is essential.

The significant remuneration package includes a fully expensed car and the opportunity to earn generous contribution related rewards.

Please reply outlining why you are relevant (stating reference LCK/K10) with a CV, current salary and daytime telephone number to:-

Leslie Kuelshammer  
Acce House, 69/78 Long Acre, London WC2E 6JW



**LIVINGSTONE FISHER  
ASSOCIATES LIMITED**  
Management Consultants

## Financial Accountant

£18,000 per annum

A leading Architectural Practice in London, W1, require a recently-qualified chartered accountant. Ideally seeking their first move into the commercial environment.

The successful candidate will be responsible for maintaining financial and accounting records for the Partnership which will involve consolidation and interpretation of information from many sources.

Please apply, giving full details of previous experience.  
Write Box A0523, Financial Times  
10 Cannon Street, London EC4P 4BY

## ASSISTANT TREASURER

who can handle high finance

Starting with circa £24,000 + Car City Based

The National Home Loans Corporation is a young, dynamic company which is already enjoying tremendous success in the residential mortgages market.

Our record of growth and profitability is unrivalled — and we have big plans for the future.

We now require the services of an ambitious Assistant Treasurer/Dealer.

Your task will be to support both the Divisional Director Treasury and the Deputy Treasurer by taking over the task of dealing on the money market. You will also operate and develop the department's reporting systems and other functions.

This is a key area of the company, where results count. You will possess a professional qualification, 'A' level Maths, and at least two years' experience in a corporate treasury department, banking or accountancy. You will also need the ability to act on your own initiative and apply good, sound judgement.

In return, we offer a good remuneration package and career prospects you would expect from one of the fastest growing names in financial services.

So if you're aged 27-35 and have what it takes to handle high finance, write now with full details of your career and credentials, to: Peter Ward, Personnel Manager, The National Home Loans Corporation plc, St. Catherine's Court, Herbert Road, Solihull B35 9QE.

**HomeLoans**



**ACCOUNTANCY  
APPOINTMENTS**  
2nd Floor, 15-25 Eldon Street  
London EC2M 7LA

### SYSTEMS ACCOUNTANT

West London c. £20,000 + Benefits

Our client, a dynamic, rapidly expanding PLC in the ELECTRONICS INDUSTRY, seeks an ACCOUNTANT to develop and complete the implementation of its manufacturing control systems, on a newly acquired company.

Applicants, preferably C.I.M.A., should have experience in a highly computerised manufacturing environment and have the communication skills necessary to enable them to liaise effectively with senior managers in other departments.

Initially this will be a hands-on role in a SUPERB, MODERN HIGH-TECH ENVIRONMENT with the opportunity for rapid advancement in status and responsibilities.

In the first instance telephone 01-438 2683 or write to Trevor Dawes at the above address enclosing your C.V. All replies will be treated in strictest confidence.

**HESTAIR MANAGEMENT SERVICES LIMITED**

## Chief Accountant

Information Technology

W. London

To £23K

An autonomous and highly successful subsidiary of a major British enterprise, our client designs, manufactures and markets a range of sophisticated telecommunications/computer equipment. Turnover is c.£30m generated through many customers in the City and other expanding markets in the UK and overseas.

Increasing volume of business has created the need for a Chief Accountant to take control of the financial and management accounting functions and develop systems to meet the needs of a growing company. This is an important new position reporting to the Financial Director and deputising for him when required, supported by qualified and experienced staff.

Candidates must be qualified accountants who have gained management experience in a commercial environment and possess the ability to innovate and take an active part in the development of the business. Preferred age range is 28-45. Prospects are excellent.

Please apply with cv quoting ref. 312/3/FT to Mike Cross at Charles Barker MSI, 30 Farringdon Street, London EC4A 4EA. Tel: 01-634 1143.

**CHARLES BARKER**  
SELECTION · SEARCH · ADVERTISING

## Accountancy Personnel

Placing Accountants First

## International Financial Controller

West London

c£30,000 + Car

Our client, a US multi-national is creating an exceptional new opportunity for a self motivated individual to co-ordinate effective control of their manufacturing units within Europe, South America and Australia.

This demanding new venture requires a forthright and professional approach as the position encompasses the development of effective systems, cash management, project funding, pro-active control and financing throughout the International Group.

Candidates will be qualified accountants aged 28+ who can demonstrate a track record of achievement in either the financial or commercial sectors. Whilst overseas travel is a pre-requisite, a foreign language is not essential.

An attractive remuneration package is offered to the successful individual.

If you possess the necessary qualities and seek a challenging career move, please apply in writing to The Manager at the address shown.

Accountancy Personnel,  
Hodford House,  
Suite 24,  
17-27 High Street,  
Hounslow,  
Middlesex,  
TW3 1TA  
Tel: 01-879 1916

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IF YOU EARN OVER £15,000 PA AND ARE SEEKING A NEW OR BETTER PAID JOB

In the accountancy or financial field our team of consultants, all of whom have had managing director level experience, can help you.

Our successful Executive Action Plan helps you find appointments quickly and discreetly, particularly in the under-served vacancy area.

Contact us for an exploratory meeting without obligation. If you are currently abroad ask for our Executive Search Service, 32 Savile Row, London, W1. Tel: 01-734 3879 (24 hours)

**Connaught**



# Financial Controller

Stockbroking

South East

c. £25,000 + car

A well established and rapidly expanding stockbroking group, now owned by a U.K. Merchant Bank, seek an ambitious recently qualified Chartered Accountant - preferably with a background in the financial services sector.

Reporting to the existing Finance and Operations Directors, the person appointed will be expected to make a major contribution to the financial control of the business and the reporting requirements of both the Bank and Regulatory Authorities.

Future prospects are exceptional and it is envisaged that early success in this position will be rewarded with Director status.

Please reply to Tish Cole with details of age, career and salary progression quoting reference 5001/FT on both envelope and letter.

**Deloitte  
Haskins + Sells**  
Management Consultancy Division  
P.O. Box 198, Hillgate House, 28 Old Bailey, London EC4M 7PL

# FINANCIAL CONTROLLER

Gatwick circa £30,000 p.a. + Car

Our client is an air broker and freight forwarding agent, the subsidiary of a major American airline. The operation has grown steadily over the last five years and turnover this year will exceed £30 million. Currently 60 staff are employed. This continued expansion now necessitates the appointment of a Financial Controller.

This is a senior management position reporting to the Administration Director. In addition to managing a comprehensive and effective finance function, the person selected will also be required to prepare and implement a systems design plan and installation strategy.

The successful applicant, male or female, will be a qualified accountant with in-depth experience of financial and management accounting, tax planning and MIS. Preference will be given to graduate Chartered Accountants. The key requirements of this role are a practical approach and the ability to achieve results through others.

Remuneration will be in the range indicated above and a profit related bonus will be introduced after 12 months. Other benefits include a company car and, after a qualifying period, concessionary air travel. There is excellent scope for further development and promotion.

Applications in the form of a detailed curriculum vitae should be sent to the person below quoting reference 87/01/05. Replies will be reviewed by our client so please list, in a separate covering letter, any companies to whom your application should not be forwarded.

R. PAUL RUSSELL,  
ARTHUR ANDERSEN & CO.  
1 SURREY STREET,  
LONDON, WC2R 2PS.

**ARTHUR  
ANDERSEN  
& CO.**

# Hoggett Bowers

Executive Search and Selection Consultants

Finance Director

High Volume Industrial Consumer Products  
North West, c. £22,000, Car, Benefits

A £12m turnover subsidiary of an acquisitive international group requires a Finance Director who will provide positive financial control through a period of expansion and change. The company manufactures and sells a wide range of industrial consumable products through a national network of distributors. As part of a committed and enthusiastic management team and reporting to the Managing Director, there is responsibility through a department of 40, including DP, for the total accounting and administration function. The Company is currently in the process of changing its computerised accounting systems and applicants should have experience of systems implementation. Candidates will be qualified FCMA/ACCA, aged 35-45, already working at Director or Controller level with significant experience in a manufacturing environment. They must be totally familiar with standard costing systems and able to demonstrate excellent management and commercial skills.  
R. Webster, Hoggett Bowers plc, St James's Court, 30 Brown Street, MANCHESTER, M2 2JF, 061-832 3800. Ref: M17006/FT

Financial Director Designate

Lincolnshire, Package To £20,000, Bonus Opportunity, Car, Relocation

This is an opportunity to become involved in a greenfield manufacturing situation. The client is a newly formed subsidiary of a diverse private holding group and is embarking on the establishment of a substantial manufacturing company, the products being high value processing plant sold into worldwide markets. The requirement is for an ACMA aged 30-45 who has very strong manufacturing accounting experience including systems implementation and budgetary control in a batch production environment. This is a fully accountable role with group reporting requirements. A full board appointment is envisaged in the short term. The benefits include a substantial bonus opportunity and full relocation assistance to an attractive area.  
P.A. Addesley, Hoggett Bowers plc, 7 Lisbon Square, LEEDS, LS1 4LZ, 0532 448861. Ref: L11013/FT

Financial Controller

Manufacturing  
Bath/Bristol Area, c. £18,000, Bonus, Car

This long established company is part of a major international group and provides a top quality range of products to UK and European markets. The group is highly successful and has substantial plans for future expansion. The post of Financial Controller has been created within the UK company due to an increasing involvement of the Financial Director in the international operation. The position involves responsibility for all the key accounting functions and the control of all accounts staff. In addition, you will be responsible for the development and maintenance of both retrospective and proactive reporting systems. The scope of the job will increase substantially as the company expands. You will be a qualified accountant and probably in your mid to late twenties. You will already have held a substantial accounting position in a manufacturing company, preferably with some manufacturing responsibility. You will certainly be ambitious and enthusiastic about joining an equally ambitious company, with a very exciting future. Terms and conditions are highly attractive and include a quality car, together with the usual benefits and relocation assistance where necessary to this highly attractive part of the UK.  
C.W. Theaker, Hoggett Bowers plc, 13 Frederick Road, Edgbaston, BIRMINGHAM, B15 1JD, 021-482 7878. Ref: B12015/FT

Financial Controller

Telecommunications  
Greater Manchester, c. £16,000, Car

DEFINITELY NOT FOR THE FAINT HEARTED! Already established in a market that is growing at a prolific rate, this telecommunications company will continue to grow rapidly both organically and by acquisition. The young and dynamic management urgently needs the financial expertise to back up its successful marketing skills and is looking for a commercially minded individual whose interests go well beyond pure book-keeping. The initial task will be to formalise and streamline the accounting systems and provide the Directors with up-to-date information and advice, but within a short timescale the appointee will be expected to fulfil a complete Finance Director's role. Candidates will be graduate ACA's, aged 27-33, already with experience outside the profession in a pressure environment who are excited by the prospect of becoming totally involved in running the business.  
R. Webster, Hoggett Bowers plc, St James's Court, 30 Brown Street, MANCHESTER, M2 2JF, 061-832 3800. Ref: M17006/FT

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

# FINANCIAL CONTROLLER DOMESTIC BANK

Saudi Arabia c.\$70,000 with substantial benefits

An experienced financial controller is required to join the top management team of this expanding and predominantly Saudi National domestic bank. He will be responsible for implementing and operating all aspects of the accounting and financial control systems of the bank, including financial planning, budgeting, profit analysis, management accounting and taxation, together with the extension of the bank's MIDAS 38 computer based accounting system.

This demanding appointment calls for a professionally qualified accountant with experience at senior management level of broadly based retail and commercial banking. Candidates should be fluent in English and preferably have some understanding of Arabic. The ability to co-ordinate the demands of a growing branch network within a multi-national staffing environment is essential.

An attractive salary plus a full expatriate benefit package is offered. Applications in strict confidence with full details of qualifications and experience quoting ref: F/317/W should be sent to Paul Wagstaff at Ernst & Whinney, PO Box 9267, Dubai, United Arab Emirates or Douglas G Mizon at Ernst & Whinney Management Consultants, Becker House, 1 Lambeth Palace Road, London SE1 7EU.

**EW** Ernst & Whinney

## Appointments Wanted

### FINANCE MANAGER/FINANCIAL ADVISER/CONSULTANT

High calibre UK qualified Arab national with extensive Financial Management experience. Good knowledge of oil industry and outstanding record of achievement. Excellent negotiating skills. Seeking interesting position preferably to be based in Europe with travel to Middle East.

Write Box 40571, Financial Times  
90 Cannon St, London EC4A 3DF

## Accountancy Personnel

Placing Accountants First

### Darchem Limited

For further details, please contact:  
The Manager,  
Accountancy Personnel,  
Victoria House,  
155-163 Albert Road,  
Middlesbrough,  
Cleveland TS20 2PZ.  
Telephone: 0842 228716.

### Darchem Specialised Mouldings

For further details, please contact:  
The Manager,  
Accountancy Personnel,  
Cavey House,  
Norwich,  
Norfolk NR1 3BY.  
Telephone: 0603 780141.

### ACCOUNTANT Darlington

Darchem Group Companies design, manufacture and install precision engineered systems and components for the nuclear, aerospace and automotive industries. The Group has a record of steady growth through acquisition and development of high quality products and processes for these industries. Internal promotion has created an opportunity for a qualified Accountant to be responsible to the Chief Accountant at the Darlington head office. Candidates, aged 25-35, should possess sound technical skills, experience in a manufacturing environment and the ability to develop and apply accounting systems to assist management decision making processes.

### FINANCIAL CONTROLLER Huntingdon

The recent acquisition by the Darchem Group of Specialised Mouldings Limited of Huntingdon extends Group activities into high performance composites and the manufacture of models and simulators to the highest standard of accuracy and finish. As part of a series of developments to take the Company to a leading position in the industry, they need to appoint an Accountant to be responsible for the financial function at Huntingdon. A qualified accountant, you should have a least 5 years management experience, preferably in a technically based production business, and the ability to forecast, monitor and control the commercial and financial results of manufacturing decisions. For both positions, the Company offers a highly competitive remuneration package, including a Company car, performance related salary progression and, where appropriate, re-location assistance.

### CONFIDENTIAL

### MANAGEMENT ACCOUNTANT

Coventry £17,000 + Car  
Our client, a small but successful subsidiary of a major manufacturing Plc seeks a highly motivated ACMA/ACCA for a newly created role. The position will include heading up a team of seven staff preparing management accounts and installing a sophisticated standard costing system. The role reports directly to the Financial Director and forms part of a senior management team. Suitable applicants will be 2/3 years post qualified and will demonstrate a high level of technical competence.

### CONFIDENTIAL

### BUSINESS ANALYST

North West £14-16,000  
Our client is a Blue Chip manufacturing company with ambitious plans for continued expansion. Fundamental to their further success will be the contribution of the Group Planning Department. The planning team is to be strengthened by recruiting an able young accountant to play a vital role in the company's strategic planning process; evaluating the performance of current business activities and investigating potential acquisitions. As a commercially aware recently qualified accountant you will be given the opportunity to develop your undoubted communication and interpersonal skills to the full with this prestigious organization.

# Internal Auditor

£16,000 pa

+ holiday concessions + travel

Thomson Holidays, Britain's leading tour operator, part of the International Thomson Organisation has an opportunity for an Internal Auditor to provide an independent appraisal of both UK and Overseas operations.

Reporting to the Internal Audit Manager duties will include:

- \* Control audits on systems which are all heavily computerised.
- \* Audits on our overseas resorts.
- \* Preparing audit reports including recommendations for improved performance and subsequently ensuring these are implemented.

Approximately 50% of activities will involve preparing, conducting or following up audits abroad.

The ideal candidate will be a newly qualified chartered accountant considering a first move into commerce and looking to progress to a line position within 2/3 years.

We offer excellent benefits including 25 days annual holiday, generous holiday concessions and LV's.

Starting salary will be £16,000 per annum.

Interested? Then write to Barbara Gowers, Personnel Officer, Thomson Holidays, Greater London House, Hampstead Road, London NW1 7SD, with full career details.

**Thomson  
Holidays**

# Rock GARDEN FINANCIAL CONTROLLER

Covent Garden c£21,000 + Car

Over the past 11 years the Rock Garden has established itself as one of the most popular restaurants and rock venues in London.

Building on this success, the company has recently restructured following a buy-out by two of its major shareholders. They have formed a holding company, Rock Garden Group Limited, with subsidiary companies falling into two distinct groups:

Catering

Rock Music  
With annual sales of around £1.5m they are now poised to expand both areas of the business and are seeking a qualified accountant, with experience in a commercial environment, to take over all financial aspects of the Group and make a positive contribution to its continued success.

In addition to managing the accounting and finance function, the Financial Controller will be required to undertake crucial financial investigations and advise the Board on matters affecting the expansion of the company. One of the first tasks will be to develop a computerised management information and accounting system.

This is an exceptional opportunity for an ambitious and dynamic person to join a progressive company. The Chairman has stressed that candidates must be interested in catering, music, marketing and environmental issues and, whilst an informal approach is encouraged, a high degree of professionalism will be expected.

The successful candidate will report to the Chairman and will be expected to join the board as Finance Director and Company Secretary in due course.

In the first instance, please write with full career details, salary history and daytime telephone number to Mandy Davies, Robson Rhodes, 186 City Road, London EC1V 2NU.

# ROBSON RHODES

Chartered Accountants

## FINANCIAL CONTROLLER

For expanding homes company

As a result of the growth of the business, a financial controller is required for Higgs and Hill Homes, a wholly owned subsidiary of Higgs and Hill plc, the international property and construction group.

The successful candidate will head an accounts department which is responsible for the complete accounting function embracing invoice processing, cost accounting and the preparation of management and statutory information.

Experience of computer based accounting systems and the house building industry would be an advantage.

The Financial Controller will be part of the Homes Company Management Team and prospects of progressing to the Board of Higgs and Hill Homes are good.

Salary by negotiation. Car, pension scheme and usual large company benefits.

The appointment is based in Staines.

Please reply initially, with a curriculum vitae, to:  
J. A. Theakston, Group Finance Director, c/o Group Personnel Department, HIGGS AND HILL PLC, Crown House, Kingston Road, New Malden, Surrey KT3 3ST

**HIGGS AND HILL**

Our jobs are open to persons of either sex and this advertisement should be construed accordingly.



FINANCIAL &amp; MANAGEMENT RECRUITMENT CONSULTANTS

**DOUGLAS & LLAMBIAS**

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**EQUITY TAX PARTNER**

FCA's 35-42 From £40,000 YORKSHIRE

Our client is a "top eight" firm of chartered accountants seeking an immediate equity tax partner to take responsibility for the development of the tax practice.

Candidates (male or female) will probably already be tax partners in a "top 20" firm of chartered accountants or exceptionally be senior tax managers approaching partnership in a major practice. Ideally, candidates will have a mixed corporate and personal tax background but with a particular emphasis on personal tax planning experience and tax practice development.

Current clients range from multinational plc's to fast growing family businesses, entrepreneurs, Lloyd's underwriters and other high net worth individuals.

This is an exceptional opportunity to take responsibility for the development of a very high calibre tax practice heading an established tax department with a very broad range of successful clients.

For more information, please contact **George Ormrod BA (Oxon)** Director or **Martin Purrier ACA** on 01-836 9501 or write with a copy of your CV plus tax technical CV to Douglas Llambras Associates Limited at our London address quoting reference number 7665A.

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS  
**DOUGLAS & LLAMBIAS****A FIRST MOVE INTO MANAGEMENT CONSULTANCY?**

If you are considering a first move into management consultancy then:

- ◆ Research the marketplace
- ◆ Find out about the firms' different structures, services and client bases
- ◆ Identify what you want out of the move

We have the information and the facts you need. Contact us first, get a copy of our guide to the management consultancies. Discuss the options open to you and determine the right course of action to secure you with good comparative offers, at one and the same time.

Contact **Trevor Atkinson, FCA**, enclosing a CV, at the address below, quoting reference number 7665B.

MANAGEMENT CONSULTANCY RECRUITMENT DIVISION  
**DOUGLAS & LLAMBIAS****OUTSTANDING BANKING OPPORTUNITIES FOR NEWLY QUALIFIED CHARTERED ACCOUNTANTS**

CITY

Up to £25,000+ mortgage benefits and bonus

Our client is a leading stockbroker specialising in European equities, providing a broad range of investment services on an international basis. Due to rapid expansion, the company is seeking to recruit a number of Research Analysts to join what is already one of the largest European Research and Share Trading operations in London.

Each analyst will be responsible for developing the investment strategy for a specific European geographical area. This will include visiting senior management of leading public companies and preparing written analyses ranging from individual company studies to economic and political commentary. The role, which is both exciting and challenging, will necessitate spending six to eight working days per month abroad. Previous experience is not required since comprehensive "on the job" training will be provided. Commercial exposure within this post is exceptional and prospects are excellent within other areas of the bank.

An innovative and self-motivated approach to work is essential, as is the ability to liaise effectively with people in a closely-knit team. Applicants should be able to demonstrate high academic achievement and exposure to public companies during their training contracts. This is likely to be a first move away from Public Practice. Fluency in French, German or Italian is essential for several of the vacancies but openings also exist for non-linguists.

Written applications, enclosing up-to-date CV stating language ability (if any), should be submitted in strict confidence to **Peter Green** at our London address, quoting reference number 7666.

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS  
**DOUGLAS & LLAMBIAS****FILM & TELEVISION SERVICES FINANCIAL CONTROLLER**

CITY

c £22,000 + benefits

Twenty five years ago a small team of professional film technicians set up a company dedicated to the provision of outstanding production facilities.

Following an internal restructuring and the appointment of a new MD, this organisation is seeking an individual to assume full responsibilities for all company accounting and secretarial work.

Service industry experience and a commitment that matches that of the existing management team are prerequisites for this position. The appointee will be dealing regularly with clients and will assist the company in achieving its stated aim of a USM quotation.

Interested applicants should write to **Colin Vasey**, enclosing a comprehensive CV, at Douglas Llambras Associates, 410 Strand, London WC2R 0NS quoting reference number 7665D.

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS  
**DOUGLAS & LLAMBIAS**

**JOIN US**

**Age 25-35**

**Essential Requirements**

- ◆ Ambition ◆ Professionalism
- ◆ Personality ◆ Sense of Humour
- ◆ Recruitment Experience

Send a CV or call

**SUSAN FARQUHARSON**

or

**BRUCE PAGE**

now on

**01-836 9501**

**AT THE CENTRE**

**CORPORATE FINANCE BIG 8 FIRM**

To £30,000 + car

Age: 27+

Our client seeks managers to join their fast developing and highly acclaimed Corporate Finance Department. Individuals must be ACAs either currently within Public Practice or the financial sector and able to demonstrate a minimum of four years' post qualification experience.

Day to day duties necessitate dealing with full and overseas listings, share placings and floatations on both the USM and OTC, raising venture capital, organising management buyouts and providing general financial advice.

For further information please contact **Gary Johnson** or **Caroline Benton**, enclosing a copy of your CV, to our London office address quoting reference number 7665F.

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS  
**DOUGLAS & LLAMBIAS****BUSINESS SERVICES MANAGER SOUTH OF ENGLAND**

ACA's 28-35

To £25,000 + car

Our client is a major international firm of chartered accountants seeking to recruit an experienced manager, to lead the newly created Business Services Department in a regional office of approximately 100 staff.

The role will combine substantial client advisory work with the more routine accounting, tax and audit services required by smaller private businesses. Importance will be attached to the candidates' ability to provide the general business advice required by fast growing new businesses. The right candidate should be able to demonstrate strong practice development skills and be capable of developing a computerised accounting and payroll service for clients of the firm. Our client's prestigious offices are in a city centre location in an attractive part of the country.

Candidates (male or female) should already be at manager level in an equivalent department in a large practice or have trained with a large firm and currently be working in a general practice environment.

The appointee will be of the calibre to justify partner status in due course.

Should you wish to be considered, please write enclosing a CV to **George Ormrod BA (Oxon)** or **Stephen Hackett BA (Oxon)**, Douglas Llambras Associates at our London address quoting reference number 7665G.

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS  
**DOUGLAS & LLAMBIAS****MERGERS & ACQUISITIONS**

CITY

Newly Qualified

To £25,000

+ bonus

As one of the world's largest and most profitable investment banks, our client is looking to recruit exceptional individuals into their Mergers and Acquisitions Department.

The image of the bank is to be pro-active rather than re-active and transactions are effected in the domestic market as well as the US and European markets. This is an excellent opportunity for smart professionals with entrepreneurial flair and a charismatic presence.

Candidates must be newly qualified Chartered Accountants with an impeccable academic background and the ability to act on their own initiative. They must be able to work under pressure, be confident in their own ability and also possess a sense of judgement. Mergers and acquisitions experience would be an advantage, but is not essential.

The base salary will be up to £25,000 with a high percentage discretionary bonus, which is performance related. Interested candidates should write enclosing full CV to **Deborah Sherry**, Douglas Llambras Associates Ltd, 410 Strand, London WC2R 0NS, quoting reference number 7665C.

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS  
**DOUGLAS & LLAMBIAS****EXISTING MANAGEMENT CONSULTANTS**

LONDON

£25,000 - £85,000

- ◆ BANKING, FINANCE & ACCOUNTANCY
- ◆ COMPUTER SECURITY
- ◆ CORPORATE FINANCE
- ◆ EXECUTIVE RECRUITMENT
- ◆ HOTEL & LEISURE
- ◆ HUMAN RESOURCES

- ◆ INFORMATION SYSTEMS & TECHNOLOGY
- ◆ MANUFACTURING
- ◆ RETAIL & DISTRIBUTION
- ◆ SALES & MARKETING
- ◆ STRATEGIC PLANNING
- ◆ TREASURY

No two management consultancy firms are alike.

The organisation, structure, the quality of staff, the experience they offer, vary enormously, as do the financial rewards they offer.

We make no pretence, the top salaries quoted are for truly exceptional people with the ability and track record to move at partner or director level. You may want our help in achieving your career aspirations and a salary of £85,000 or you may just want to see where you fit into the marketplace. Either way we will be delighted to help.

So in the first instance, write enclosing a CV to **Trevor Atkinson FCA** or **Hazel Webber BA** at the address below, quoting reference number 7665B.

MANAGEMENT CONSULTANCY RECRUITMENT DIVISION  
**DOUGLAS & LLAMBIAS**DOUGLAS LLAMBIAS ASSOCIATES LIMITED, 410 STRAND, LONDON WC2R 0NS  
TELEPHONE: 01-836 9501

مكتبة مصر







## Senior Accountancy Appointments

### Financial Sector To £50,000 + Benefits

The Executive Division of Michael Page UK is currently handling a number of senior appointments for qualified accountants with financial sector experience. Our extensive client portfolio represents the complete spectrum from international banks through to smaller private institutions.

Should you be contemplating a career move within this dynamic area of the

recruitment market, we would be delighted to hear from you.

Interested applicants should write to Barry A. Ollier ACA, enclosing a comprehensive curriculum vitae and telephone number, at the Executive Division, Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH, quoting ref: 409.



#### Michael Page Partnership

International Recruitment Consultants  
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide  
A member of Addison Consultancy Group PLC

## ADDISON CONSULTANCY GROUP PLC

Addison Consultancy Group PLC is a leading international communications and management consultancy, providing a range of professional business services, specialising in the fields of Recruitment, Design, Financial and Corporate Communications, Consumer Communications and Market Research. In line with the Company's forward strategy they are seeking to strengthen their Head Office finance function with the following appointments.

### GROUP MANAGEMENT ACCOUNTANT to £17,000 + bens

Reporting to the Group Corporate Accountant, this position entails responsibility for the Group's management reporting functions, preparations of group budgets and forecasts and involvement in assisting senior management with financial analysis for corporate and strategic business plans. There will be participation in a number of specific projects together with the development of computer based financial systems.

Candidates, preferably aged between 24 and 29 should possess a recognised accounting qualification (ACCA, ACMA, or ACA) and be able to demonstrate previous spreadsheet experience.

Interested applicants should contact Gerald Whiting on 01-831 2000 or write, enclosing a comprehensive c.v. to 39-41 Parker Street, London WC2B 5LH, quoting ref 2085.



#### Michael Page Partnership

International Recruitment Consultants  
London Windsor St Albans Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide  
A member of Addison Consultancy Group PLC

### ASSISTANT GROUP FINANCIAL ACCOUNTANT to £18,000 + bens

This key appointment will provide control of the day-to-day Head Office accounting function, as well as that of the Group Company Subsidiaries. Reporting to the Group Financial Accountant in Central London, and supervising three members of staff, the selected candidate will be responsible for the preparation of monthly management and half-yearly financial accounts, respectively.

Candidates should be Chartered Accountants, aged 25-29. This is an excellent entry point into a rapidly expanding organisation, with promotion prospects that extend throughout the entire Group.

Interested applicants should contact Gerald Whiting on 01-831 2000 or write, enclosing a comprehensive c.v. to 39-41 Parker Street, London WC2B 5LH, quoting ref 2085.



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## Lucas Aerospace

Lucas Aerospace has an unrivalled range of capabilities in the design, development and production of systems and equipment for engines, aircraft and guided weapons. Impressive growth has been achieved organically by investment in new projects, developing and using the most advanced technology, and through a programme of acquisitions establishing a worldwide market presence.

### Finance Manager

West Yorkshire c£20,000 + Car

- Reporting to General Manager within autonomous £15m v/o division
- Age 28-40
- Determination of business policy
- Financial control and performance review
- Systems implementation and design
- Member of Product Group Executive



### Divisional Finance Manager

Hertfordshire c£28,000 + Car

- Reporting to Divisional General Manager within autonomous £80m v/o division
- Age 33-45
- Determine mid and long term financial objectives
- Formulation of business policy and operating plan
- Management services function
- Commercial control through market identification and pricing policy

The successful applicants will be Qualified Accountants with well developed commercial sense and the ability to make a significant contribution to the operation of the business. An experienced man-manager, you will possess strong interpersonal skills and be a self-starter with ambition and flair. In return you will enjoy a challenging career with outstanding prospects throughout the Group.

For further information interested candidates should contact Nigel Wright ACA on 021-643 6255 at Michael Page Partnership, Executive Division, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST.



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## Financial Controller Central Africa

Our client, one of the world's leading multinational tobacco manufacturing and marketing groups, is currently seeking a young, ambitious individual for a key management position.

Reporting to the Financial Director, responsibilities will include:

- management of the overall financial accounting function
- budgeting and financial planning
- further refinement of PC based A/C systems
- full financial reporting to Group

Candidates must be qualified accountants,

aged 26-32, with at least 2 years' post qualifying experience in industry to include budgets and cash management; 'hands-on' PC experience and team leadership. A working knowledge of French is also essential.

There is scope for significant promotion and career advancement for the international career-minded individual. The position offers married status and commands an attractive salary and expatriate benefits package.

Interested candidates should contact Warwick Holland on London 01-831 0431 or write, enclosing a full CV, to Michael Page International, 39-41 Parker Street, London WC2B 5LH.



#### Michael Page International

Recruitment Consultants  
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## Young Accountants c£18,000 Room to stretch yourself

There are few opportunities to join a forward-looking high technology multinational which is fully committed to substantial European investment.

Northern Telecom is the world's leading supplier of fully digital telecommunications systems and is increasing its share of the office automation market with products like VIENNA, a family of computer systems designed and manufactured in the UK.

The ambitious Europe-wide growth plans include expanding the young, dynamic financial team working to high professional standards, using sophisticated computer tools. We seek young accountants, part or newly qualified and keen to develop their careers in the international marketplace.

### Financial Control Hemel Hempstead

You'll be responsible for reporting regular statutory and management results, working to demanding company deadlines. In addition you'll manage the sales ledger and contract administration for the data systems product division.

### Business Analysis Hemel Hempstead & Maidenhead

Your role will be in ensuring the profitability of our office automation product range, analysing actual revenues and expenditure against budget forecasts and providing on-going financial advice to the marketing and technology managers.

For each opportunity, you should be educated to degree level and be part or newly qualified as an accountant. Experience of working in a multinational company, preferably producing high technology products, and good communications skills and initiative are essential.

Excellent salaries are enhanced by an extensive benefits package which includes relocation costs, where appropriate.

Please write with career details to:

Clive Weston, Personnel Manager,  
Northern Telecom plc, FREEPOST,  
Maylands Avenue,  
Hemel Hempstead,  
Hertfordshire HP7 4BR.  
Telephone Hemel Hempstead  
(0442) 41141.



## Financial Project Manager A development opportunity

British Telecom West End District is a largely autonomous part of British Telecom, covering an area approximately bounded by Hampstead, Bayswater and Mayfair and with an annual turnover in excess of £200 million. We have undergone considerable change to meet the exciting new challenges presented by an increasingly competitive environment.

As a result, we are now able to offer this varied role to an ambitious and highly motivated individual who can help us to achieve important financial goals through tackling a range of projects and assisting in the implementation of new accounting systems.

In addition to ad hoc financial investigation, you'll be involved in a project relating to the material control system; undertake various reconciliations in the general ledger; assist in interrogation of the general ledger and extract reports.

A part-qualified accountant, or graduate in Business Studies, you must possess good communication skills and will ideally be familiar with computer software.

For the right person we are offering a starting salary of up to £14,000 p.a. plus an attractive range of benefits including 23 days' holiday, a contributory pension scheme, season ticket loan and health and welfare services. Future career development prospects are excellent.

Please write with full c.v., quoting reference PR14, or telephone for an application form: Chris Taylor, Personnel Manager, British Telecom, West End District, Dial House, 151 Shaftesbury Avenue, London WC2H 8BA. Telephone: Freephone 2172 or 2173 (London area only). Closing date: 29th May, 1987.

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Package c £35,000  
+ outstanding benefits

This exceptional opportunity to join a progressive and highly profitable family controlled business arises through pending retirement.

The successful applicant will contribute to the Company's continued expansion through multiple High Street outlets and therefore is likely to have had sound experience in the Distributive Trades.

Applications are invited from qualified Accountants aged between 30-40 who:

- can show sound career progress including management responsibility
- have experience in management reporting, budgeting and financial planning
- have worked closely with computer based accounting systems
- are seeking a final step in their career path.

Please write enclosing detailed C.V. to Christopher Brooks, Morison Stoneham Management Consultants Ltd, 805 Salisbury House, 31 Finsbury Circus, London EC2M 5SQ.

**Morison Stoneham**  
Management Consultants Limited

## KINGSFIELD

Commercial and Contractual Consultants to the International Contracting Industry

## Finance Director

CENTRAL LONDON

c.£30,000 + CAR

Kingsfield is a successful consultancy group, providing specialist services to the UK and international contracting industry.

In keeping with its plans for continued and sustained growth the Group is due to restructure shortly, establishing a holding company to control its UK and overseas companies. A Finance Director is required to manage the financial and tax affairs of all the Group's companies both nationally and internationally. Reporting to the Managing Director of the holding company this will be a Board position.

Supported by the company accountant, the Finance Director will also be responsible for group financing requirements, particularly in relation to overseas subsidiaries; advising the Board on investment of funds; and general personnel and company secretarial duties.

The successful candidate will be a qualified accountant between 35 and 45 who is able to demonstrate an excellent track record in a senior financial position, preferably with an international organization. Some personnel management experience would be a distinct advantage.

This is a demanding role requiring enthusiasm, stamina and effective communication and social skills. Since the company operates on a world wide basis, overseas travel will be required. Excellent health is therefore essential. Remuneration is commensurate with a senior management board position.

Applications, in writing, giving a full career resume and recent salary history to Mandy Davies at Robson Rhodes.

## ROBSON RHODES

Chartered Accountants

Management Consultancy Division  
186, City Road, London, EC1Y 2NU.

## Group Financial Controller

North London. c£28,000 plus car and share option

We are a highly successful public company operating internationally in specialist industrial markets. The continuing expansion of the Group and a recent promotion has created an exciting opportunity at the Group's head office. We are looking for a top-flight, ambitious, young accountant who has the experience, aptitude and enthusiasm to make a contribution to the development of the financial function and to justify further promotion within the Group.

The successful candidate is likely to be a Chartered Accountant, aged around 30, who has already made a mark in industry and who possesses above-average personal skills and technical competence.

Write in confidence with full personal and career details to:  
Box A0520, Financial Times, 10 Cannon Street, London EC4P 4BY



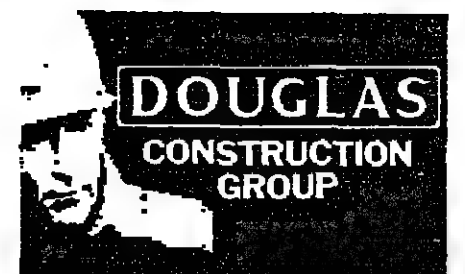
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## SECTION II - COMPANIES AND MARKETS

# FINANCIAL TIMES

Thursday May 14 1987



## Amoco moves closer to deal on Dome Petroleum

BY BERNARD SIMON IN TORONTO

AMOCO, the US oil group, has moved one step closer to its proposed \$3.1bn (\$3.8bn) acquisition of Dome Petroleum by signing a definitive merger agreement with the debt-laden Calgary energy producer.

The two companies will brief Dome's 56 international lenders on details of their agreement at what is expected to be a lively meeting in Toronto today. The meeting will be followed by a press conference.

With debts totalling \$3.6bn, Dome is unable to meet its full obligations to lenders. The creditors, who are divided into several classes according to the type of security to which they can claim title, are thus likely to be split among themselves on the best way of dividing up the proceeds of the sale to Amoco.

Lenders are also expected to question the generous terms pro-

posed for Dome's shareholders, who are to receive roughly the current market value of their shares.

An official at one US bank predicted yesterday that "certain creditors will use their legal positions to rearrange how the pie is distributed." The stiffest resistance is expected to come from lenders, mainly leading Canadian banks, whose loans are secured by assets of disputed value.

In an effort to mollify a group of restive public unsecured debtholders, Dome and Amoco said that payments to this group will be entirely in cash, instead of a combination of cash and securities initially proposed.

The public unsecured group, consisting of holders of Eurodollar securities, three series of Swiss franc notes and participants in three Beaufort Sea development funds,

will receive roughly 35 per cent of their claims. These payments total US \$150m.

Dome shareholders will receive 2-year subordinate debentures with an interest rate of 7 1/2 per cent, non-callable for seven years. These debentures will be convertible into Amoco common shares at a price of US \$105.

Although Amoco is favoured eventually to gain control of Dome, the outcome of the Dome saga remains unpredictable. Besides objections by lenders to the terms of the Amoco deal, other oil companies have indicated that they are still interested in bidding for Dome.

Before accepting Amoco's offer, the Calgary company rejected bids from TransCanada Pipelines and Imperial Oil, Exxon's Canadian subsidiary.

## Warner to buy Chappell for \$200m

By William Hall in New York

WARNER Communications, the US entertainment giant, has agreed to pay over \$200m for Chappell & Co, the world's largest music publisher, which over its 175-year history has published the works of many of the most celebrated contemporary composers ranging from Gilbert & Sullivan, Cole Porter and Irving Berlin to US, the high-flying Irish rock band.

Warner Communications announced yesterday that it had agreed in principle to acquire 100 per cent of Chappell from a group of private investors who had bought the company for around \$100m from Polygram Records in 1984. Completion of the transaction is subject to regulatory approvals and the execution of a definitive agreement.

Chappell, which was founded in London in 1811 and counted Beethoven among its early admirers, has published more than 400,000 songs ranging from Elvis Presley to George and Ira Gershwin. Although some of the more important current pop stars, such as Bruce Springsteen and Michael Jackson, now publish much of their own music, Chappell and its music publishing rivals, continue to make handsome returns on their libraries of old songs.

Warner Communications, whose interests range from films to cable TV and records, is already involved in music publishing and holds copyrights to some 250,000 songs. It has a strong position in the US market where Chappell is believed to have a bigger international presence.

Chappell, which retains an important London operation, is headquartered in New York and operates in 22 countries. It employs a staff of around 500. Polygram bought Chappell in 1979 for a reported \$25m.

The current investor group, which was organised by Wertheim & Co, a New York investment bank, bought Chappell in 1984 for a reported \$100m.

## Woolworth jumps 45% to \$29m

By Our New York Staff

F.W. WOOLWORTH, the US retailing giant, increased its first-quarter net income 45 per cent to \$29m, or 43 cents a share, underlining the success of its strategy of emphasising its specialty store businesses and reducing its reliance on its famous general merchandise stores.

The group, which has increased its return of equity sharply over the last three years and boosted its dividend on three occasions, increased its first-quarter sales by 8.4 per cent to \$1.53bn. Its pre-tax income rose 36 per cent to \$49m.

Specialty stores sales rose 14.4 per cent and general merchandise sales rose 5.4 per cent. Domestic sales rose 6.4 per cent and foreign sales rose 11.9 per cent.

However, the company notes that the increase in foreign sales reflected the weakness of the dollar and if this is stripped out foreign sales would have been unchanged and total sales would have risen by 3.5 per cent in the latest quarter which ended May 2 1987.

The group says that operating income of its specialty stores rose \$7m and general merchandise operating income rose \$8m. Domestic operating income rose

## Bayer profits rise but sales drop by 9%

BY ANDREW FISHER IN LEVERKUSEN

BAYER, the West German chemical group, said it was optimistic about maintaining results at last year's high level after a slight profits rise in the first quarter.

However, Mr Hermann Strenger, the chairman, repeated the company's earlier warning that this would be a tougher year. "Without a doubt, the risks are clearly increasing in 1987."

Group pre-tax profits were 3.3 per cent higher in the first three months at DM 715m (\$400m). Sales, however, dropped by 9 per cent to DM 9.65bn, mainly as a result of the sharp rise in the D-Mark.

As the main problems of 1987, Mr Strenger cited stagnating world trade, the high US deficit and growing protectionist sentiment, the fall in the dollar, and the worsening economic situation in some less industrialised countries.

Also, there would be no more relief from lower oil and raw materials prices, as in the past year. Spending by the industry on the environment was rising, too. At Bayer, this accounted for 13 per cent of 1986 group investments of DM 2.4bn. Capital spending this year will be around DM 2.3bn.

In 1986, Bayer raised pre-tax profits by 5 per cent to DM 3.3bn on sales which were 11 per cent lower, mainly through currency movements, at DM 40.75bn. The dividend is being held at DM 10 a share.

This year, volume sales have been running at the 1986 level and capacity utilisation has been high. In local currency terms, business was satisfactory in Western Europe, North America, and the Far East. Sectors showing favourable progress included plastics, polymers, and coating raw materials.

Mr Strenger highlighted Japan, the second biggest chemical market in the world after the US, as a country in which Bayer wanted to expand. Its sales in Japan now approached DM 1.9bn and the group would invest up to DM 200m there in the next few years.

This was one reason for Bayer having its shares listed in Tokyo next year, he added. Also, Japanese investors were expected to invest more heavily in European, especially German securities, in coming years.

To enable Bayer to react quickly to any new business opportunities, said Mr Franz-Josef Weitkemper, finance director, it would ask shareholders' approval for an extra DM 400m of nominal capital for future rights issues, DM 200m to cover possible acquisitions, and DM 300m for option loans.

## Havas at head of flotation queue

By David Housego in Paris

HAVAS, the French state owned advertising and tourist group, was yesterday confirmed as the next group to be privatised with the announcement that the state's 40.3 per cent holding will be put on the market from May 25.

At the same time the Ministry of Finance named Indosuez and Banque Nationale de Paris (BNP) as the two lead banks in the public offering of the remaining 59.7 per cent of the shares in the first television channel. The other 50 per cent of the shares and management control have already been placed with a consortium led by Bouygues, the French construction group.

In the case of Havas, Mr Pierre Dautier, the chairman, said yesterday that prior to the public offering the government would name the companies who would make up the 20 per cent "hard core" share ownership intended to provide it with stable management. In addition the government will hold a "golden share" in Havas for five years to protect it from unwanted takeover bids.

Though the state has only 40.3 per cent of the shares in Havas, it currently holds management control. Those bidding for a stake in the "hard core" shareholding interest will be required to purchase between 1 and 5 per cent of the capital and to pay a premium of 5 per cent. Mr Dautier said that preference would be given to bidding for between 3 and 5 per cent of the capital. Havas is estimated to have a market value of between FFf 400-FFf 500 (\$670m-\$1bn).

The group sharply increased consolidated profits last year of FFf 425m.

## Reed to sell DIY and paint interests

By Christopher Parkes in London

REED INTERNATIONAL, the publishing, paper and paint group, is to sell its paint and do-it-yourself operations.

A management consortium is preparing a bid for the business, best known in Britain for its Crown Paints and Polycell DIY lines. Other potential purchasers would also be approached, Reed said yesterday.

City of London analysts put the sell-off value at £120m to £130m (\$190m to \$210m).

The decision to sell followed a strategic review and a conclusion that the group should concentrate all its energies on developing its publishing, paper and packaging interests. Mr Peter Davis, Reed's chief executive, said: "We have a number of plans in both areas."

Reed has been focusing on a shrinking number of core businesses since 1982, pulling out of national newspapers, printing, wallpaper, building materials and other industries. The latest withdrawal is understood to have been prompted by the increasing concentration of the world paint business in the hands of about a dozen multinational companies.

Imperial Chemical Industries has about 45 per cent of the European market and last year became the biggest paint company in the world when it took over Glidden, Hanson Industries' US paint subsidiary.

Although the Reed paint and DIY business is a substantial business in the UK, it is a small operator in global terms. It employs about 5,000 people and last year made a trading profit of £18.5m on sales of £285m.

In the six months to the end of September - a period heavily weighted by the spring and summer home decorating season - sales were £155m and the trading profit £12.9m. City analysts expect £22m in profits for the full year.

Crown Paints has 17 per cent of the UK market, behind ICI with more than 30 per cent but ahead of Berger with around 5 per cent.

The Polycell business, founded on wallpaper paste and fillers, has recently been expanded to cover other DIY products such as home security devices and double glazing.

## Swedish drugs group up in first quarter

By Sara Webb in Stockholm

ASTRA, the Swedish pharmaceutical group, reported an 8 per cent increase in earnings - before taxes and appropriations - to SKr 303m (\$48m) in the first quarter, compared with SKr 281m in the first three months of 1986.

Much of the increase came from growth in Western Europe. Astra said that group earnings were affected by lower net financial income in the first quarter, a consequence of lower interest rates compared with the same period last year.

Sales rose 11 per cent to SKr 1,290m, against SKr 1,185m in the comparable period last year, but the company said the increase was entirely attributable to growth in volume.

Total sales in 1987 are expected to rise about 11 per cent to SKr 5.5bn, with earnings before taxes and appropriations increasing at the same rate.

Sales of Astra's products for the treatment of respiratory diseases increased 23 per cent to SKr 292m and its anti-asthma drug, Pulmicort, showed a 60 per cent increase in sales.

However, sales of local anaesthetics only increased 4 per cent to SKr 271m and were hit by the fall in the dollar since the US is Astra's main market. Anticancer sales slipped 1 per cent to SKr 102m and were affected by irregular deliveries to hospitals.

## Belgian bank surges 40% in six months

By Tim Dickson in Brussels

BANQUE Bruxelles Lambert (BBL), the second largest of Belgium's commercial banks, disclosed yesterday that its gross operating profit soared 40 per cent to more than BFf 5.4bn (\$145.9m) in the half year ending March 31. The result is almost identical to the performance in the same period a year ago and according to a spokesman "is reflected in all the bank's sectors of activity."

Net interest income (total reinvestment income minus interest paid) was 11.6 per cent better at almost BFf 14.7bn while "auxiliary" or fee income from activities such as

portfolio management, exchange and gold trading and bond and share issues was 10.2 per cent higher at BFf 4.38bn.

BBL's balance sheet total rose 2.1 per cent to BFf 1,379bn, though the bank said that without dollar depreciation over the period the relevant figure would have been 5.3 per cent.

Loans to the private sector (individuals and companies) increased by 10.5 per cent, largely due to individuals.

The bank disclosed yesterday that its 87.4 per cent holding in Credit European de Luxembourg has been increased to 98.9 per cent.

## Tiffany out of the red after direct mail boost

By Our Financial Staff

TIFFANY, the fashionable New York-based jewellery and luxury goods retailer which earlier this month completed a \$103.5m international equity offering, reported first-quarter net profits of \$1.02m or 12 cents a share, compared with a loss of \$1.31m or 18 cents a year earlier.

The company, which was bought by an investor group from Avon Products in 1984, lifted operating profits from \$73,000 to \$3.2m in the latest quarter which ended April 30. Sales rose 37 per cent to \$43.4m, with the company enjoying strong sales growth in its three major business areas, US and international retailing, and direct marketing.

Mr William Chaney, chairman

and chief executive, attributed the strong performance to a favourable retail environment, significant improvement in the company's direct mail results and "successful new strategies which resulted in higher corporate business."

International operations were also buoyed by substantial rises in Tiffany's Japanese business. "In addition to these key factors, we continue to leverage our fixed-base of expenses into greatly increased sales volume and profitability."

Mr Chaney added that the latest results were particularly pleasing because "the first quarter is normally our weakest period due to the seasonal nature of the business."

## Preussag to omit dividend

By Our Financial Staff

PREUSSAG, the West German metals and mining group, will not pay a dividend for 1986 following another year of difficult trading.

The company said yesterday that it had been hit by weak crude oil and natural gas prices as well as poor trading in non-ferrous metals. It added that its shipping division had experienced a steep decline in activity.

For 1985 Preussag shareholders

received a reduced dividend of DM 8 a share, down from the DM 9 paid for 1984.

Group net profits for last year totalled DM 79m (\$44.6m) but at the parent company level Preussag could do little more than break even.

The group has changed its method of accounting and the latest results are not entirely comparable with 1985.

## OTTOMAN BANK

Notice is hereby given that a DIVIDEND at the rate of £8.00 per share, voted at the General Meeting of Shareholders held on 13th May, 1987, will be PAYABLE on and after 3rd June, 1987, in London at BARCLAYS BANK PLC, Stock Exchange Services Department, 54 Lombard Street, London EC3P 3AH. The coupon to be presented is No. 114. The holders of Founders' Shares will receive an amount of £964.50 per whole share payable on the same date and at the same place against presentation of coupon No. 57. Coupons must be listed on forms, which can be obtained on application from Barclays Bank and left for examination four clear days prior to payment.

US\$250,000,000  
Floating Rate Subordinated Capital Notes due August 1996

**CITICORP**

Notice is hereby given that the interest payable on the relevant Interest Payment Date, May 26, 1987, for the period February 14, 1987 to May 14, 1987 against Coupon No. 11, in respect of U.S.\$50,000 nominal of the Notes will be U.S.\$815.19

May 14, 1987, London

By: Citibank, N.A. (CSSL Dept.), Agent Bank

**CITIBANK**

All these securities having been sold, this announcement appears as a matter of record only.

**IG Investors Group Inc.**

Can \$94,000,000  
4,000,000 Common Shares  
Offering Price Can \$23.50 per share

Of the 4,000,000 Common Shares,  
1,650,000 have been purchased for distribution internationally by

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2,350,000 have been purchased for distribution in Canada by

Dominion Securities Inc. Gordon Capital Corporation

March 1987



## NOTICE OF REPAYMENT

**The Long Term Credit Bank of Japan Limited**  
(Incorporated in Japan)

## Floating Rate Certificate of Deposit

US\$15,000,000 — No. 3 BKG 000001-000015

Issued on 21 June 1984, maturing 23 June 1988

Callable in June 1987

Prepayment date 23 June 1987

In accordance with the provisions of the Certificates, notice is hereby given that The Long-Term Credit Bank of Japan Ltd ("The Bank") will prepay the principal amount on the next Interest Payment Date, 23rd June 1987 together with the interest accrued to that date.

Payment will be made against presentation and surrender of the Certificates at the Bank's London Office at:  
15 King William Street, London EC4N 7BR

May 1987

The Governor and Company of the  
**BANK OF SCOTLAND**  
(Incorporated by Act of the Scots Parliament in 1695)

U.S. \$250,000,000

## Undated Floating Rate Primary Capital Notes

Notice is hereby given that the Rate of Interest has been fixed at 7 1/4% p.a. and that the interest payable on the relevant Interest Payment Date, November 16, 1987, against Coupon No. 4 in respect of U.S. \$10,000 nominal of the Notes will be U.S. \$397.19 and in respect of U.S. \$250,000 nominal of the Notes will be U.S. \$9,929.69.

May 14, 1987, London  
By Citibank, N.A. (C.S.S. Dept.), Agent Bank

CITIBANK

## INTL. COMPANIES AND FINANCE

## UAL links jet order to \$700m Boeing loan

By William Hall in New York

UNITED Airlines, the third biggest US airline, which has been the subject of persistent takeover speculation, has placed a \$2.1bn order with Boeing, the world's biggest aircraft manufacturer, in an unusual deal which involves Boeing lending United a third of the money to pay for the 36 new planes.

The order is one of the largest ever placed by an international airline and Boeing's commitment to provide United with \$700m of cash in return for convertible notes underlines the fierce competition now facing the major airline manufacturers. United is a longstanding Boeing client but is known to have seriously considered buying from Europe's Airbus Industrie.

Mr Richard Ferris, chief executive of Allegis Corporation, UAL's newly renamed parent, said that his company had obtained "very competitive prices" for the equipment and welcomed Boeing's related financing commitment.

This is the first time that Boeing has made a significant investment in a major customer and underlines the steps that manufacturers are being forced to take to win new business. Boeing's investment comes in the form of \$700m in 7.52 per cent convertible notes due in three equal instalments beginning in May 1990.

Under the terms of the financing agreement, Boeing will be able to convert the notes at any time to Allegis common stock or to a new series of 1.4m Allegis preferred shares valued at \$500 per share, which is also convertible into Allegis common stock.

Mr Frank Shrontz, Boeing's president, said that the financing package "reflects our confidence in Allegis' future growth and its long-term success."

The hotly-contested order provides for the delivery of 15 long-range Boeing 747-400s and 21 Boeing 737-300s by 1991. The 747-400s, four of which will have a 1989 delivery date, will be assigned to United's rapidly expanding Pacific routes. The new planes will allow United to increase its service to Japan, Hong Kong, Australia and Korea. Each of the 15 planes will seat 378 passengers and will have three classes of accommodation.

The 21 new 737-300s will be used to increase United's domestic capacity and will seat 128 passengers. They will be delivered on a flexible schedule with the first delivery due late next year.

Mr Ferris said that the order represents a strong commitment to the future growth of United Airlines and to the Allegis companies, which include the Hertz car rental group and the Westin hotel chain.

## Giant buys 6.3% of Clark

BY OUR NEW YORK STAFF

GIANT GROUP, a small US West Coast investor group led by Mr Burt Sugarman, a Hollywood producer, has acquired a 6.3 per cent stake in Clark Equipment, the world's biggest fork-lift truck manufacturer, and says that it might seek control of the company.

Giant Group and an affiliate, Harris Industries, said in a filing with the US Securities and Exchange Commission that it had acquired the stock as an investment, but indicated that it might consider seeking control of the company through an exchange offer, tender offer or merger, or a proxy contest.

All of the shares were purchased between March 23 and May 5 at prices ranging from \$21.5 to \$24.75. Clark Equipment's shares rose by \$3/4 to \$27.

Giant, whose interests range from cement to television game shows, is a small but aggressive company with big ambitions. Last year it earned \$14.6m on sales of \$81.3m and at the share price of \$23 7/8 is currently capitalised at \$118m.

Clark Equipment, by contrast, is a much larger company which has been facing problems adapting to a changing marketplace and has lost money for the last two years. In the first quarter of 1987 it lost \$0.4m on sales of \$240m.

The company, which despite its recent financial problems has a well known brand name in the fork-

lift truck market, has been the subject of takeover speculation in recent months.

Mr Leo J. McKernan, Clark Equipment's chief executive, told the annual meeting that the company's principal task "has been and continues to be reducing operating cost."

Citing more than 20 new cost-reduced products as proof of Clark's considerable progress during 1986 and the first quarter of 1987, he said: "These products represent two fundamental types of achievement: first, dramatic cost reductions matched to high quality and performance features, and, secondly, newly developed products targeted to specific market segments."

## Midland Bank wins Brazil unit go-ahead

BY ANN CHARTERS IN SÃO PAULO

MIDLAND BANK of the UK has won preliminary approval from Brazil's central bank for the formation of Midbank Banco de Investimento, a joint venture investment bank with two Brazilian partners.

The Banco Bamerindus do Brasil, one of the leading private banking conglomerates, and the Mendes Junior Group, a leading Brazilian

construction company, are the other participants. If the final central bank approval is forthcoming as expected in two weeks, the bank will initially be capitalised at \$20m.

Midland is putting in \$10m in risk capital converted from outstanding credits, while the other partners are contributing \$5m each.

## Reisebüro Kuoni ahead

By John Wicks in Zurich

REISEBÜRO KUONI, the Swiss parent company of the international Kuoni travel agency group, proposes to increase its dividend from Sfr 229 to Sfr 230 per bearer share in respect of last year.

This follows a 6.5 per cent rise in cashflow to Sfr 21.2m (\$14.4m) and an increase in net profits by 8.3 per cent to a record Sfr 8.11m.

## Allegheny International, Inc.

has sold its

## Wilkinson Sword Consumer Division

to

## Swedish Match AB

The undersigned acted as financial advisers to  
Allegheny International, Inc. in this transaction.

**Dillon, Read & Co. Inc.**

**Dillon, Read Limited**

May 14, 1987

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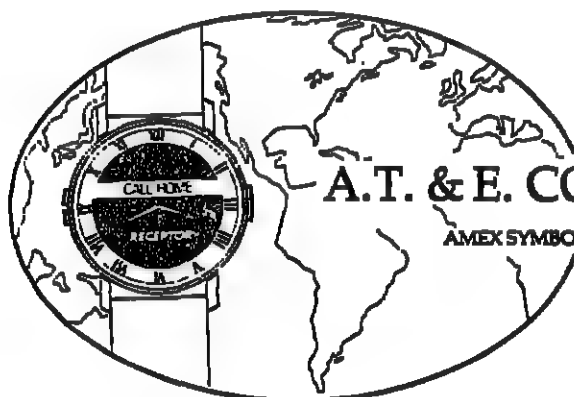
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### AIBD BOND INDICES

WEEKLY EUROBOND GUIDE MAY 8 1987

|                    | Redemption | Change  | 12 Months | 12 Months |
|--------------------|------------|---------|-----------|-----------|
|                    | Yield      | on Week | High      | Low       |
| US Dollar          | 9.370      | +0.871  | 9.619     | 8.440     |
| Australian Dollar  | 14.219     | -0.385  | 14.735    | 12.835    |
| Canadian Dollar    | 10.304     | +0.980  | 10.819    | 9.372     |
| Euroguilder        | 6.200      | 2.041   | 6.250     | 5.804     |
| Euro Currency Unit | 8.464      | -1.068  | 9.041     | 8.164     |
| Yen                | 5.620      | 0.411   | 6.702     | 5.218     |
| Sterling           | 9.519      | -1.531  | 11.609    | 9.510     |
| Deutschmark        | 5.954      | 0.235   | 6.652     | 5.954     |

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## INTERNATIONAL COMPANIES and FINANCE

### Gulf Air loses its eastern glamour

By Michael Field, recently in the Gulf

GULF AIR, the airline owned by the governments of Bahrain, Qatar, Abu Dhabi and Oman, made a loss last year, its first since the 1970s, when it was building its network. The exact figure is due to be announced next month and according to the informal estimates given by the airline's officials it will be between \$6m and \$15m.

Although it is cutting its spending by 10 per cent, the airline expects to make another loss in 1987. The realisation that it is losing money has come as a jolt to Gulf Air and is causing people outside the company to talk of the airline having lost its way. The obvious basic cause of its problems is the fall in the Gulf governments' oil revenues. But at the same time Gulf Air now seems to lack some of the competitive flair and glamour it showed in the mid-1970s.

It no longer has in its favour the novelty of being a new airline. Its aircraft interiors are not as smart as they were and its service on flights within the Gulf is ordinary. Its intra-Gulf schedules, which one would expect to be run like those between European centres where flights depart at the same times every day, are sometimes irregular.

Given that it has a monopoly on routes between its shareholder countries, these shortcomings do not affect its domestic revenues, but they may discourage people from taking the airline's overseas flights, on which its service is good. The airline itself blames its losses on excessive capacity and discounting on its international routes. Last month the airline's board asked its Air Transport Committee, which is composed of the four shareholders' directors general of civil aviation, to study ways of reducing excess capacity. This will be a slow process, but the company hopes it will begin to see results in six months.

#### Rival airline

Part of the reason for the over-capacity is that each shareholder state has invested in a large and glamorous airport and has an interest in having as many flights as possible pass through it.

Each shareholder also has its own ideas on how many flights should link the airline to different destinations. Qatar and Oman receive more flights than strictly commercial considerations would justify.

The newest problem to affect Gulf Air has been the advent of a rival airline in Dubai, Emirates Air. This company, which began services about a year ago, was established with help from Pakistan International Airlines. So far it has three aircraft and operates mainly between Dubai and the Indian subcontinent. By taking Gulf Air's traffic rights on these routes, it has taken about 10 per cent of its revenues.

In July Emirates Air is to begin daily services to London and Frankfurt with two new A310 Airbuses.

The establishment of the new airline is a sensitive subject among aviation authorities in the Gulf. In a typically Gulf fashion they say that they welcome the new airline and that there is no really serious competition between it and Gulf Air.

In Dubai the more plausible line is that the state was never a shareholder in Gulf Air and that its airline is a logical outgrowth of the long-established, quasi-monopolistic Dubai National Air Travel Agency and its busy airport, which handled nearly 4m passengers in the year to the end of March—a 16 per cent increase on the previous year. DNATA, owned by the state, represents over half of the airlines that land in Dubai and has a staff of 2,200, which is almost half the size of Gulf Air's staff.

#### Bad feeling

"The surprise is that we did not start an airline sooner, given our ports and our role as a service and trading centre," is the view of Mr Maurice Flanigan, Emirates Air's managing director.

In reality Emirates Air was born in part of bad feeling between Dubai and Gulf Air over Dubai's granting of traffic rights to large numbers of foreign airlines. Gulf Air resented carrying passengers into Dubai on intra-Gulf flights and then seeing them continue their journeys to foreign destinations with other airlines. It responded by cutting its services to the state.

There have been further cuts since Emirates Air was established and the new company has not been given traffic rights to any destinations within the Gulf. Although Kuwait Airways fly there regularly, reaching Dubai from most of its neighbours is now difficult.

Emirates Air is putting a brave face on its government's failure to negotiate traffic rights in the Gulf by saying, truthfully, that it can channel all its energies into opening other services.

What is good news for everyone is that Emirates is not likely to be followed by other new airlines in the Gulf, even though there has been speculation that Oman, which runs a small intercity service of its own, might be another candidate for going it alone.

Oman and the other lower Gulf states are shareholders in Gulf Air, which would mean that if it were to start a new airline, it would have to justify its own airline on commercial grounds.

### Linter Group increases earnings and dividend

BY BRUCE JACQUES IN SYDNEY

LINTER GROUP, the diversified textile and broadcasting company run by Mr Basil Sellers, the Australian entrepreneur, has brought its after-tax profit for the year to a record—a period full of deals and takeover bids.

The company, Australia's biggest textile group, has declared a 10 per cent increase in its bonus issue after lifting earnings from A\$7.46m to A\$8.18m (US\$15.1m) on sales up from A\$69.9m to A\$106.9m.

The annual dividend is being increased from 14 cents to 20 cents a share, a major beneficiary will be the group's 40 per cent shareholder, AFP Investments, which recently raised the British Gestetner group.

Linter became Australia's

biggest textile company last July when it merged its National Textiles operations with Entrod in a vehicle known as Linter. Linter brought out Entrod for A\$27.5m, with effect from April 1 this year.

Linter's growth has been one of the major factors in an extraordinary share run by AFP in recent months which has taken the company's capitalization to around the A\$1bn mark. Mr Sellers personally controls about 25 per cent of AFP's capital.

Besides Linter and Gestetner, AFP's other assets include options over a 20 per cent interest in Elders IXL and a large stake in BDC Investments, the emerging electronic media empire of Mr Kerry Stokes, the Perth businessman.

### Rising yen blamed for 52% decline at Citizen Watch

BY YOKO INAHATA IN TOKYO

CITIZEN WATCH registered a pre-tax profit of ¥1,020bn (\$8.6m) in the year to March, down 52 per cent from the previous year. The sharp profit decline was due to the upsurge of the yen. Net profits were down 59.3 per cent to ¥2,620bn, on turnover of ¥163,290bn, up 5.9 per cent.

During the year wrist watch sales rose 16.6 per cent in volume but fell 10.3 per cent in value. Printers and other office equipment registered a 53.2 per cent gain to around ¥34.2bn. Citizens intends to maintain its annual dividend at ¥7.5 a share.

For the current fiscal year, pre-tax profits are projected at ¥4.5bn on turnover of ¥160bn. The company plans to maintain its annual dividend at ¥7.5.

Yokogawa Hokuetsu Electric, which makes industrial instruments, reports a 26 per cent fall in pre-tax profit to ¥9,220bn in the year to March. The lacklustre performance was blamed on lower sales caused by the yen's appreciation and deterioration in the profit-to-sales ratio.

Overall sales dipped 1.9 per cent to ¥152,250bn. Sales of industrial instruments, which account for over 70 per cent of the company's overall sales, gained 1.8 per cent to ¥155bn. But sales of measuring instruments dipped by 1.1 per cent, information equipment 19.6 per cent and ship-use machinery 60.6 per cent.

Net profits jumped 88.6 per cent to ¥13,977bn, helped by a special profit of ¥13bn by selling plant and receiving special dividends from subsidiaries.

For the current year, pre-tax profits are projected at ¥5.6bn, up 3 per cent with net profits of ¥5.6bn, down 74 per cent, on sales of ¥165bn, up 4 per cent.

### Peking unveils top profit earners

By Robert Thomson in Peking

IN AN exercise aimed at raising corporate consciousness, China has released comparative lists of its most profitable and most productive companies.

This is weighted towards heavy industry with the most profitable enterprises headquartered in the oil city of Daqing, which was a wind-swept wasteland in the far north until three decades ago. Three of the top five profit-makers are iron and steel corporations.

Of course, Chinese definitions of profit and company are different from those in the West. All of the companies listed are state-owned and hand back much of their earnings to the state. Some companies, including the Daqing Petroleum Administration, answer directly to ministries.

Anshan Iron and Steel Corporation, in charge of the country's largest steel plant near Shenyang, in the north, is the second biggest profit-maker, and like the fourth placeholder, Wuhan Iron and Steel Corporation, in central China, is badly in need of an overhaul, as much of its equipment is several decades old.

Third on the profit list, which does not reveal exactly how much the corporations earn, is Peking's Yanshan petro-chemical complex, while the Shanghai and Daqing petro-chemical complexes occupy seventh and ninth place respectively. The only exception to heavy industry in the top 20 is the Shanghai Cigarette Factory, which is 14th on the list.

#### Biggest producer

China's biggest producer is the company overseeing the Shengli oil field, in the coastal province of Shandong, which provides about 30 per cent of the country's annual crude oil output. The Daqing field supplies about 48 per cent, but the administration of the output is divided up into several companies, so the Daqing Petroleum Administration is credited with being the second largest producer.

The Anshan and Wuhan iron and steel corporations occupy the next two places, the Yanshan Petro-Chemical Corporation is fifth, and the Number Two Automobiles is a sixth spot. (The Number One Automobiles, which produces a limousine called a Red Flag, and Liberation Trucks is three places behind.)

The Number Two auto factory, Daimler-Benz, sometimes called Motor City or China's Detroit, in the central province of Hubei, and produces the ubiquitous East Wind trucks for domestic consumption and Acacia trucks for export to developing countries. If all goes according to the factory's plan, Acacia vehicles will soon make a South Korean-like impact on the US market.

In all, China is said to have 500,000 factories, and the top 50 profit-makers contribute about 17 per cent of national income.

### Goodman plans court action over bid ban

BY DAI HAYWARD IN WELLINGTON

GOODMAN FIELDER is to mount a High Court challenge against the New Zealand Commerce Commission's decision to reject its takeover bid for Wattle Industries, the food processing group.

Mr Pat Goodman, chairman of New Zealand's third largest company, met Prime Minister Mr David Lange yesterday afternoon to express his concern at the Commerce Commission decision.

Both Mr Goodman and Mr Cliff Lyon, managing director of Wattle, said they would force the Commission to defend its decision in the High Court. Before going into a board meeting yesterday Mr Lyon said he found the decision "incredible". The company believed it had satisfied earlier concerns expressed by the Commission on the extent of the alleged benefits which would flow from the merger.

Mr Goodman said he believed the proposed merger gave New Zealand and Australia an ideal opportunity to develop an international food group. The High Court appeal will be the first challenge to a Commerce Commission decision since the introduction of the new Commerce Act last year.

Under this, the commission is obliged to give the go-ahead for merger if the companies concerned do not create or strengthen a dominant market position.

If a proposed merger gives the new group a dominant role—as is the case with the Goodman-Wattle deal—the Commerce Commission must then decide if the public benefits outweigh any detrimental effects caused by its dominance in the market place.

In the case of the Goodman-Wattle move, the Commerce Commission decided a merger would give the combined company a whole range of food processing areas. It also said Goodmans had not shown that benefits to the public and consumer would outweigh the disadvantage caused by this dominance.

In an effort to reduce the dominant role the merger would give, both companies had earlier agreed to shed part of their ice cream interest. The Wattle board was also prepared to divest itself of one or two other operations.

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April 24, 1987







## UK COMPANY NEWS

# TransAtlantic fails to win seats on Sun Life board

BY ERIC SHORT IN LONDON AND JIM JONES IN JOHANNESBURG

TransAtlantic Insurance Holdings, an associate company in Liberty Life of South Africa, has failed in its attempts to obtain representation on the board of Sun Life Assurance Society, although it is the largest shareholder with 25.73 per cent of the equity.

However, Mr Donald Gordon, Liberty Life's chairman and chief executive and chairman of TransAtlantic, said Mr Peter Grant, Sun Life's chairman, had won a pyrrhic victory. "The fight has cost Sun Life a lot of money and we remain in the same position as we were before the fight began," he said.

He warned the Sun Life board that in any future dispute TransAtlantic would ensure it could muster a majority of the votes.

Liberty Life, though TransAtlantic, has been the largest shareholder in Sun Life for several years. However, all attempts by Mr Gordon to secure some form of co-operation between the two groups have been rebuffed by Sun Life.

Indeed, Mr Grant has consistently said that co-operation on Mr Gordon's terms were tantamount to control of Sun Life by the back door.

Liberty Life tried to break this impasse by proposing

three TransAtlantic executives for the board, including Mr Mike Middlemas, its chief executive.

The Sun Life board's reaction was one of total opposition. It has spent more than £500,000 in a publicity campaign to shareholders attacking the move in highly personalised terms.

The showdown came yesterday at the Annual General Meeting held at the Goldsmiths Hall in London, where the meeting centred on a dialogue between Mr Grant and Mr Middlemas, Mr Gordon having his own sign in Johannesburg.

Mr Middlemas attacked Sun Life's new business performance, claiming it fell below the industry average and accusing the board of giving misleading figures to shareholders. He said the election of himself and two colleagues would be beneficial for Sun Life by broadening the expertise of the board.

Finally, he said he deplored the personalised attack on the nominations, claiming the whole business was not good for Sun Life, its shareholders, its policyholders or its staff.

Mr Grant said the nominations were simply another play

in the attempts by Mr Gordon to get control of Sun Life by the back door.

Shareholders rejected the nominations in a poll vote by 2:1 of votes cast with hardly anyone supporting TransAtlantic. But TransAtlantic made it clear that it would not give up and claimed that it would be in everyone's interests to resolve the impasse.

Mr Middlemas said that a merger between Sun Life and TransAtlantic could do nothing but good for everyone.

Mr Gordon attacked the proxy system in the UK, whereby no information was available on the way proxy votes had been cast. He claimed that institutions had indicated that they had supported Sun Life on this occasion solely on the understanding that the differences were resolved.

Mr Grant agreed that the impasse had to be resolved and that he would again be seeking ways of doing this. But he was less adamant that he would not consider any move that gave control to TransAtlantic.

He claimed the vote as a total victory for the board and that the future development of Sun Life could continue to be planned in the interests of all shareholders.

## Racal-Chubb buys National Foam

Racal-Chubb, the security subsidiary of Racal Electronics, has agreed to buy National Foam Systems, a subsidiary of the Enterra Corporation, for \$16m (£9.5m).

National Foam, which is based near Philadelphia in the US, manufactures foam nozzles, monitors and other fire-fighting products. Racal-Chubb, which was formed when Racal bought the old Chubb lock-making company in 1984, already has existing fire technology in the UK, but National Foam would represent its first move into the US market.

**CENTRAL & SHEERWOOD** announced that contracts had been exchanged for the sale by its subsidiary, Newton Chambers, of that company's freehold interest in the 450-acre Thorncliffe Estate, near Chapel-town, South Yorkshire to Humberside Commercial Properties, a Beverley-based property company for £2.3m cash. The proceeds will be used by C&S to reduce bank borrowings.

**BROAD STREET GROUP** has agreed, in principle, to acquire Raymond Ridd Training, a company formed to acquire the presentation training business carried on by Raymond Ridd, Thorncliffe Estate, near Chapel-town, South Yorkshire. Completion is expected within four weeks. The purchase price comprises an initial payment of £180,000, with four subsequent annual payments based on future profits up to and including those for the year ending April 30 1992.

**BIRMD QUALCAST** has completed planned divestment of its UK engineering companies via disposal of Plastic Engineers, subsidiary to a management consortium, backed by investors in industry. Birmid has also sold its loss-making kitchen furniture manufacturing business to Cardmore. Disposals will realise initially a total cash consideration of some £1m.

**PETER BLACK Holdings** has acquired Hornsea, a wholly-owned subsidiary of Alexon involved in the manufacture and marketing of pottery, for £1.2m in cash.

**Sunleigh Electronics**, the electronics holding company which increased its contested offer for generating sets manufacturer, Dale Electric, on Friday, has announced acceptance in respect of just 0.81 per cent of Dale's shares by the first close—also Friday. Sunleigh itself holds 8.34 per cent of Dale's shares.

## Christopher Parkes on Reed International's planned divestment

### Scene set for some paint stripping

REED INTERNATIONAL yesterday gave up the race to join the premier division in the global paintmakers' league.

It has bid valiantly for promotion in the past five years, acquiring substantial overseas interests to add weight to its Crown Paints business in the UK and build on the North American base it established in the 1960s with the purchase of General Paint of Canada.

However, at the same time, the international heavyweights were also in the market, scooping up prime targets weakened by recession and rising raw material prices.

The result is a Top 10 made up of US, British, Dutch, West German and Japanese companies, and dominated by Imperial Chemical Industries.

Against ICI's annual sales of 720m litres, the 60m litres sold by Reed's Crown Paints seems modest indeed.

But it is attractive enough to rouse considerable interest among the manufacturers seeking to erode ICI's lead in the global paint business.

With its strong Crown and Polycell brands in Britain, Frazee, General and Parker names in the western US and Canada, and promising interests in Europe, Reed's paint and DIY division will be almost certain to attract highly competitive offers from all the leaders.

All except ICI. While it may be interested, a bid to add Crown's 17 per cent share of the British market to its existing 34 per cent slice would land it in monopolies trouble.

Reed wants to sell the division quickly as a job lot and avoid the complications of disentangling various bits and pieces for sale to a selection of bidders.

Mr Peter Davis, group chief executive, said yesterday that he hoped to make "a further announcement" towards the end of June.

First in line is a management buy-out team, headed by Mr Peter Burns, chief executive of Reed's paint and DIY group, and backed by Charterhouse Development Capital.

Mr Paul Lever, a consortium member, and currently managing director of Crown Paints, is in no doubt about the likely strength of the counter-bidders in the auction—or the competition the management will face should it succeed.

However, he said, emphasising the nimbleness of a medium-sized independent company: "A good valuator will



Paul Lever (left) and Peter Burns, management men with eyes on the Crown

always has a chance against a heavyweight."

Crown had a chance to flex its muscles in 1984, when it bid for Blundell-Permogelase, losing out to Akzo of the Netherlands, which a year later went on to pick up Blue Circle Sandtex, another significant force in the UK.

Akzo is currently sixth in the world league, with volume sales of some 270m litres.

To add to that disappointment, Reed has fared relatively poorly at home. Coming from behind ICI with the introduction of solid, spatula-free paints and having to spend heavily to counter the promotional advantages of the Dulux dog, Crown has seen its market share eroded.

The situation was eased last year by a price rise which, for once, improved efficiencies and a 4 per cent surge in paint market sales.

After much hesitation, Crown has also recently entered the own-label business, picking up worthwhile contracts from Sainsbury's Homebase (Mr Davis's old company) and Asda supermarket chain, and the Texas and RMC do-it-yourself retailers.

According to Mr Lever, Crown's 10m-litre annual sales overseas make it Britain's leading paint exporter, and have given it brand leadership in the Middle East as well as helping it develop a reputation in Europe.

Polycell's filler, paste and painting aids business has been under pressure from the British firm, mermaid-squeezing

had high hopes of spreading away from the west coast. However, ICI's swoop last August on Gildex, the Hanson Industries subsidiary, which gave it 283m litres extra volume sales, was a grave setback.

Already suffering in the home market, Reed was in no mood to tackle its greatest adversary on the other side of the Atlantic as well. It was only a matter of time before yesterday's sale announcement was made.

Crown was declining. Polycell was making marginal profits and the European interests in West Germany and the Netherlands were under-developed, Ms Maddox said.

According to Mr Lever, the Frazee and Parker businesses in the US have market leadership in Arizona and around San Diego. According to Ms Maddox, these companies, along with General Paint in Vancouver, offer precisely the type of niche specialisation which the big leaguers have made their speciality.

For this reason alone, she says, the offer for sale will attract "loads" of bidders.

The wording of Reed's news release yesterday, which said its advisers Kleinwort Benson would be contacting "a number of other potential purchasers who have expressed an interest," suggested to her that the parent was not bowled over by the consortium's approach.

The management's financing package may be in place and there may be certain advantages in selling to a group keen to maintain the integrity of the division, but the "bit more" which Mr Lever said he had in reserve might prove to be a lot less than he needs to out-punch the heavyweights.

### DIVIDENDS ANNOUNCED

|                            | Current payment | Date of payment | Corresponding dividend for year | Total last year |
|----------------------------|-----------------|-----------------|---------------------------------|-----------------|
| Anglo Irish Bank ...       | 10.96           | 0.96            | 3                               | 3.2             |
| CBS ...                    | 22.2            | 1.5             | 3                               | 2.2             |
| Extelco Investment Ltd ... | 10.5            | —               | 8.5                             | 18              |
| Gleaves GP ...             | 2.5             | —               | 2.3                             | 3.7             |
| Henderson Group ...        | 5               | 13              | 4.5                             | 7.5             |
| Land Securities ...        | 7.75            | —               | 6.9                             | 11              |
| London Trust ...           | 0.75            | Aug 7           | 0.75                            | 0.75            |
| Mabners ...                | 3               | —               | 0.75                            | 4               |
| Style ...                  | 5               | Oct 2           | 4.5                             | 4.5             |
| Unilever ...               | nil             | —               | 2.5                             | 5.5             |

Dividends shown pence per share net except where otherwise stated. \* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. [Unquoted stock. † For 43 weeks to January 31 1987. ‡ Irish currency.

## Guinness shares placed

By Clive Wolman  
James Capel, the stock-brokers, yesterday placed 43.4m convertible preference shares in Guinness at a price of 107.5p per share.

The shares were held by Greystand Limited, a company set up by Guinness and its merchant bank adviser, Morgan Grenfell, in April 1986 to buy shares in Distillers which were held by institutions that assented to the £2.5bn takeover bid for Distillers by Guinness.

The transactions involving Greystand were disclosed in accordance with the Companies Act.

CHURCH & CO: AGM told that retail trading had been excellent in UK, Canada and the US. Factory orders were satisfactory, but half year results may be affected by exchange rates if weakness of dollar continued.

## Chas. Barker warns on interim profit rise

BY SIMON HOLBERTON

Charles Barker, the public relations and advertising group, said yesterday it did not expect interim profits this year to show a marked improvement, although prospects for the year remained encouraging.

The company made this profit forecast when it announced it had paid the former shareholders of Norman Broadbent International (NBI), a second tranche of £12.15m following its acquisition of NBI last May.

"A significant contribution is expected from NBI, but the total performance (of Charles Barker) will be affected by a shortfall in client expenditure and the costs of relocating several companies to new premises," the company said.

It added that prospects for the year remained encouraging,

reflecting the traditional seasonal increase in operating income in the second half. In the first half of 1986 the company earned pre-tax profits of £1.56m, and during the second half profits of the year of £1.57m.

Charles Barker raised the second tranche funds through the issue of 1.6m shares, of which 1.4m were taken up by institutions and the remainder by NBI's former owners, at a price of 185p a share. These shares were issued at a discount of around 10p on the prevailing market yesterday which closed at 145p, down 5p on the day.

In May last year, the company paid NBI's owner £3.1m in cash and shares. In May next year a third tranche, calculated on this year's profits, will complete the purchase.

### THREE MONTHS' REVIEW

## CU ASSURANCE

## Profit increases to £28.2m

- ★ Unaudited profit before taxation improves by £15.8m.
- ★ Substantial development of life and savings business.
- ★ Major insurance markets remain firm despite some signs of increased competition.
- ★ United Kingdom profits increase strongly despite severe weather.
- ★ United States maintains progress.
- ★ Good results continue in other territories.

### MAIN FEATURES OF RESULTS

|                                     | 3 months 1987 | 3 months 1986 | Year 1986 |
|-------------------------------------|---------------|---------------|-----------|
|                                     | Unaudited £m  | Unaudited £m  | Actual £m |
| Total premium income                | 838.8         | 714.1         | 2,765.9   |
| Life profits                        | 19.8          | 18.0          | 58.2      |
| Non-life operating result           | 8.4           | (5.6)         | 30.9      |
| Operating profit before taxation    | 28.2          | 12.4          | 119.1     |
| Taxation and minorities             | (10.7)        | (7.5)         | (36.4)    |
| Realised investment gains           | 18.0          | 15.6          | 77.2      |
| Profit attributable to shareholders | 35.5          | 20.5          | 159.9     |
| Shareholders' funds                 | £1,416m       | £1,336m       | £1,428m   |
| Earnings per share                  | 8.61p         | 4.97p         | 38.77p    |

|   | £m    | £m    | £m     |
|---|-------|-------|--------|
| Operating profit before taxation          |       |       |        |
| United Kingdom                            | 19.3  | 11.5  | 97.5   |
| United States                             | (1.3) | (7.1) | (23.0) |
| Netherlands                               | 10.2  | 9.6   | 50.1   |
| Canada                                    | 2.5   | 2.0   | 6.2    |
| Rest of the World                         | 7.0   | 6.6   | 29.1   |
| Interest on central borrowings — external | (5.5) | (5.8) | (22.3) |
| — intra-group                             | (4.0) | (4.4) | (18.5) |
|   | 28.2  | 12.4  | 119.1  |



**Commercial Union Assurance Company plc**



## Ultramar

1987 — THE FIRST QUARTER

### RECOVERY CONTINUES

■ The Group's cash flow for the first quarter was \$41.6 million. Net profit was \$15.3 million, up more than 50% over last year despite the strength of sterling.

■ Results reflect an outstanding performance in Eastern Canada and the successful integration of the marketing

network purchased from Gulf.

■ Several important initiatives have improved the Group's financial position. In particular, the UK marketing operation was sold for \$47.6 million and \$40 million has been raised through a Eurosterling convertible bond issue.

### SUMMARY OF FINANCIAL RESULTS

|                                      | First Quarter 1987 | First Quarter 1986 |
|--------------------------------------|--------------------|--------------------|
|                                      | £ million          | £ million          |
| Sales revenue                        | 326.9              | 406.5              |
| Net profit                           | 15.3               | 9.8                |
| Cash flow from continuing operations | 41.6               | 39.5               |



Ultramar PLC, Morgan House, 1 Angel Court, London EC2R 7AU



## UK COMPANY NEWS

## A Fisher £81.7m rights to fund further expansion

Albert Fisher Group yesterday launched an £81.7m rights issue with which to fund the next stage of rapid expansion of its food, distribution and service activities.

The stock market swallowed news of the one-for-three issue with ease. Fisher shares lost only 4 1/2p to 169 1/2p, compared with a rights price of 154p.

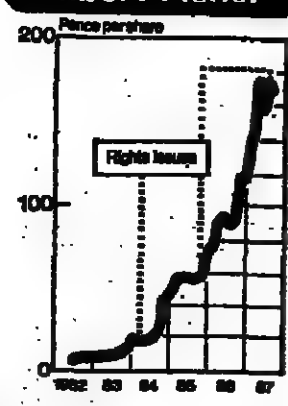
Proceeds of the cash call will put Fisher in the position to make an acquisition for as much as £150m, Mr Stephen Barker, finance director, said yesterday.

There is no indication, however, that the group plans to spend all its money in one place. Its single largest acquisition to date was the £38m purchase, from the owners, of three food processors formerly owned by Distillers.

Fisher intends to continue its strategy of consolidating its position in the fragmented food service markets on both sides of the Atlantic. It is the largest single distributor of fresh produce in fast-growing Florida, and hopes to develop the same pattern in California. "It's difficult to predict exactly whether the next acquisition will be in the US or in the UK," said Mr Tony Millar, executive chairman.

Fisher has aimed, in recent years, to maintain roughly a 50-50 split between earnings from the two countries. The US contribution had risen to 54m of the £7m pre-tax profit

## Albert Fisher



in the six months to February, but this included only four months from the Distillers companies.

After the rights issue, the share premium account by group also proposes to reduce £70m through the creation of a special capital reserve, against which goodwill arising on acquisitions can be written off. It did the same with £15m last year.

## comment

Only one small, dollar-shaped cloud looms on Fisher's sunny horizon. Assets and borrowings are carefully balanced, but further deterioration against sterling could not help but take just a little of the gloss off its stunning US growth. The fan

club assumes, of course, that the underlying performance will turn out even better than expected (as it usually has) and off-set the currency factor. Certainly, Fisher's approach to the market appears to be as astute at its management record. Although the rights issue closes before the election, the timing appears to be coincidental rather than opportunistic hedging against an upset. But with pre-emptive rights on the City agenda, shareholders may feel flattered by cash call now rather than clawback later. Having outperformed the market by five times over the same number of years, with acquisitions enhancing rather than diluting earnings along the way, Fisher's record supports the p/e of 22 based on £18m pre-tax in the current year.

BICC—Chairman told annual meeting that current year had started well. BICC Cables was seeing benefits from improved market conditions and substantial rationalisation and restructuring, while Balfour Beatty order book at all-time high. Overseas companies started the year well.

In the annual report the chairman described the extensive programme to restructure and reduce cost base of the company based on experience of the year to date, he is confident that 1987 will show the benefit from this work.

## BMP to buy US agency for £19m

By Fiona McEwan

Bosse Massimo Pollitt, the UK advertising agency, is to buy the New York advertising agency Ammirati & Puris for an initial US\$31.8m (£19.1m). Up to five further deferred payments may be made dependent on A&P profits over the next four years.

The acquisition follows months of search and discussion in the US and gives BMP a much-needed international dimension. A&P marks the next step in BMP's plans to build a decentralised federation of marketing services companies, each operating autonomously.

To finance the initial cash payment of \$25.5m (£15.3m) and the acquisition expenses, BMP will issue 4.95m new ordinary shares, available to qualifying shareholders at 240p per share. The remainder of the initial consideration, \$6.3m (£3.8m), will be satisfied by the issue to Ralph Ammirati, Martin Puris and Edward Vick, A & P's three largest shareholders, of 1.08m new ordinary shares.

According to Adweek, the US trade magazine, the award-winning agency, is rated 47th in the US, which puts it in the top 5 per cent. Its best known work is for BMW.

A & P was founded in 1974, and had billings of about \$140m (£89.95m) in 1986. Adjusted pre-tax profit had risen from \$1.4m in 1982 to \$5.4m last year. It currently employs about 230 people.

Two key employees of A & P will join the board of BMP, while Martin Bosse and Christopher Powell, chairman and managing director of BMP respectively, will join the board of A & P.

## BTR chief looks to overseas expansion

BY MARTIN DICKSON

BTR, the acquisitive industrial holding company, indicated yesterday that it was most unlikely to launch a mega-bid in the UK in the near future, and was more likely to make a number of smaller acquisitions, particularly in North America, the Far East and Australasia.

This follows the company's unsuccessful £12m bid for Pilkington Brothers, the glass-maker, earlier this year.

Sir Owen Green, the chairman, announced at the AGM that BTR was arranging a sponsored American Depository Receipt facility for its shares in conjunction with Morgan Guaranty.

Its shares are already traded in the US through ADR facilities which have not been sponsored by the company. He also stated that orders and sales for the opening months of 1987 were better than last year and profits too were shown.

ing a commensurate increase. The company was also involved in several acquisition situations, actual and potential, the most recent of which was its bid for Borg-Warner Australia.

Mr John Cahill, managing director, told the meeting that BTR had set itself a five-year goal of setting an equal balance of its businesses in Europe, North America and the East.

It was planning to make acquisitions in the US and Canada in areas contiguous with its mainstream activities, while he thought there would be some "very spectacular growth in the Far East."

Speaking to reporters later, Mr Cahill said that the tide of opinion in Britain did not seem to be with contested mega-bids. It might be time for BTR to "stand away and let the dust settle."

## Leda restructures

BY CLAY HARRIS

Leda Investment Trust shareholders are to consider restructuring proposals which would transform the trust into a highly geared vehicle specialising in smaller UK companies.

Under the plan, which the Leda board will put forward without a recommendation, Grahams Rintoul would take over as manager and give its name to the trust.

The trust would also seek £25m through a rights issue to holders of capital shares and then plans to restore gearing initially to at least 30 per cent, according to Mr Peter Rintoul, managing director of Grahams Rintoul and former chairman of Gartmore Investment Trust Management.

Under the plan, income shares would be converted into preferred shares, repayable at the end of next year at the par value of 20p, the same as under the existing structure. Dividends until then would be fixed at 8.4p for each of the two years.

Capital shares would be converted into ordinary shares. Cash alternatives of 35p for income shares and the higher of 25p or 90 per cent of formula asset value for capital shares would be underwritten by a subsidiary of American Express Bank.

AEB, which owns 38.4 per cent of income shares and 17 per cent of capital shares, is also underwriting the rights issue.

Capital shares added 8p to 275p, against formula asset value of about 300p. Income shares fell 1p to 35p.

## L &amp; G shows UK advance

In spite of bad weather losses in the UK household account, figures for Legal & General's first quarter were more than double the £5m for the equivalent period in 1986. Professor Robert Hall, chairman, told the company's AGM yesterday.

New annual premium business in life and pensions business was 38 per cent up and performance on the international front had been as encouraging as 1986.

## Pittard wins 8-month bid battle for Garnar Booth

BY NIKKI TAIT

THE EIGHT-MONTH struggle for control of leather manufacturer, Garnar Booth, finally ended last night with Pittard—one of two rival bidders—passing the 50 per cent mark, though with some shares still subject to validation.

Pittard's advisers, Hill Samuel, announced that the company either owns or has received firm acceptances from holders of 48.96 per cent of Garnar's shares.

They say a further 100,000 shares are pledged to accept—though share certificates have not yet been received—and that they have bought an additional 35,000. This would take Pittard's control to 50.34 per cent and—subject to the validation of these shares—the offer will be declared unconditional.

However, in the course of the recent struggle, rival bidders Hilldown Holdings has amassed a stake of over 39 per cent. If it now decides to accept the Pittard offer, this will still give it over 16 per cent of the combined group.

The battle for Garnar Booth started last September, when Strong and Fisher—another leather group—made a £20m hostile bid. This was referred to the Monopolies Commission and, mid-way through the inquiry, Strong withdrew.

Pittard subsequently came in with a recommended offer for Garnar, but a week before this was due to close, Strong sold its 16.4 per cent stake in Garnar to Hilldown, who followed up with a rival bid.

When Hilldown upset its terms, the Garnar board switched its allegiance. But Pittard responded by also increasing its own paper-only offer. With Pittard closing at 324p, down 2p yesterday, its offer finally valued Garnar at just under £30m.

## B &amp; A Film

As a result of a news agency error, the FT yesterday incorrectly reported that in 1986 British and American Film Holdings had a debit of £127,000 retained in a subsidiary. That figure should have referred to profits retained in subsidiaries.

## CHILD HEALTH RESEARCH INVESTMENT TRUST p.l.c.

(Incorporated in England under the Companies Act 1948 to 1976 with registered number 1466976 — an investment company under section 260 of the Companies Act 1985)

Warrants to Subscribe up to 500,000 Ordinary Shares of 10p each in the Company at 71p in the years 1988 to 1992

The Council of The Stock Exchange has granted permission for the Warrants to be admitted to the Official List. Copies of the Listing Particulars are available in the statistical services of Exel Financial Limited, and may be obtained, up to and including 18th May, 1987, (by collection only) from the Company Announcements Office of The Stock Exchange and, up to and including 28th May, 1987, from:

Child Health Research Investment Trust p.l.c.,  
St. Martins House,  
16, St. Martins-le-Grand,  
London, EC1A 4EP.

Cazenove & Co.,  
12, Tokenhouse Yard,  
London, EC2R 7AN.  
14th May, 1987

## CROWN EYEGLASS p.l.c.

(Incorporated in England under the Companies Act 1948 - 1981 No. 1759022)

PLACING BY

CHARLTON SEAL LIMITED

of 400,000 Ordinary Shares of 5p each at 125p per share

| Authorised | Share Capital                                     | Issued and to be issued fully paid |
|------------|---|------------------------------------|
| £100,000   | divided into 2,000,000 Ordinary Shares of 5p each | £20,000                            |

The business of Crown Eyeglass p.l.c. is the technical processing of low price, high quality prescription spectacles and ancillary products and their sale through a network of franchised outlets known as Crown Eyeglass Optical Centres.

Application has been made to the Council of The Stock Exchange for the Ordinary Shares of Crown Eyeglass p.l.c. to be traded on the Third Market. It is emphasised that no application has been made for these securities to be admitted to the Official List or to be dealt in on the Unlisted Securities Market.

Particulars relating to the Company are available in the Exel Statistical Services and copies of the prospectus may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 28th May 1987 from:

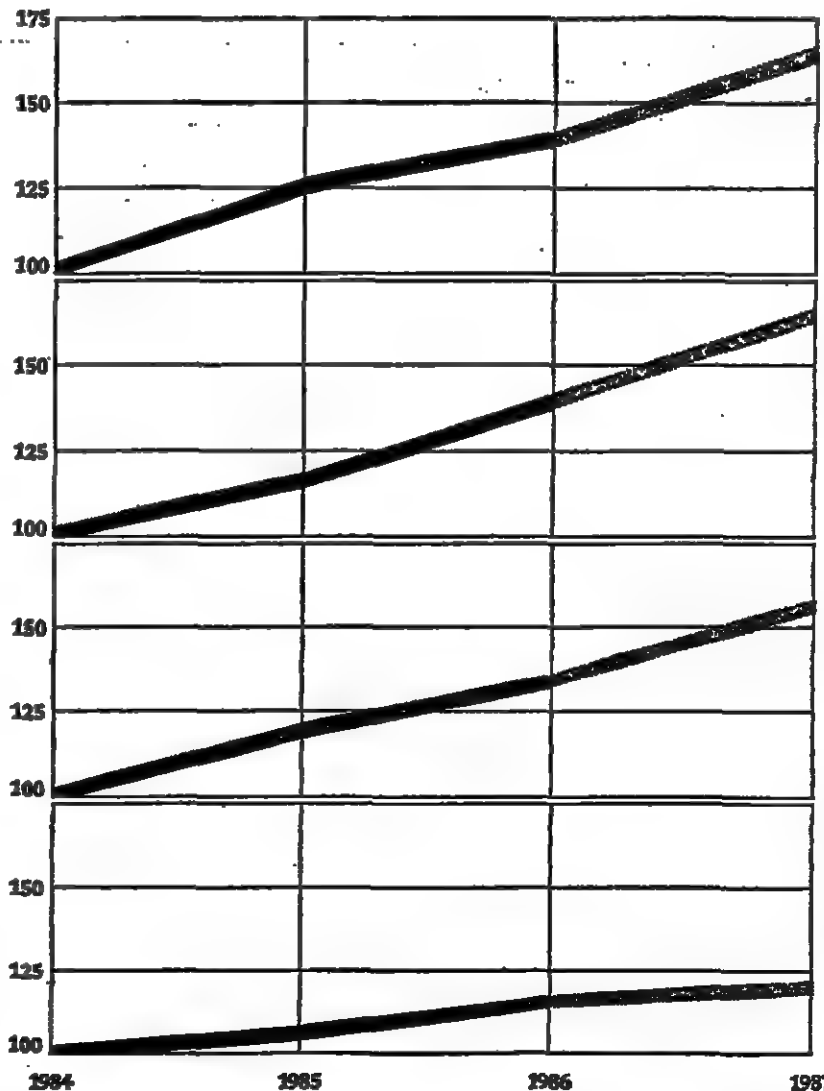
Charlton Seal Limited

76 Cross Street  
Manchester M60 2EP

City Gate House  
39-45 Finsbury Square  
London EC2A 1PX

TRANSACTIONS IN THE ORDINARY SHARES OF THE COMPANY WILL BE EFFECTED IN ACCORDANCE WITH THE RULES AND REGULATIONS GOVERNING THE THIRD MARKET. THIS INVESTMENT MAY CARRY A HIGH DEGREE OF RISK.

The graphs show sales trends and forecasts of UK sales.



Source: Business Monitor, House Govett.

**AUTOMOTIVE**  
BTR suppliers include:  
Metalastik, Dunlop  
Automotive, Fatsi,  
Herts BTR.

**SPORTS GOODS**  
BTR suppliers include:  
Dunlop, Slazenger,  
Carlton, Puma.

**AEROSPACE**  
BTR suppliers include:  
Dunlop Aviation, Serck  
Aviation, Perzelli,  
Russell Plastics.

**CONSTRUCTION**  
BTR suppliers include:  
Tilcon, Graham,  
Pilkington, Pascon.

4 growth markets,  
16 suppliers and  
1 common factor...

BTR

FOR YOUR COPY OF BTR'S 1986 ANNUAL REPORT & ACCOUNTS WRITE TO SILVERTOWN HOUSE, VINCENT SQUARE, LONDON SW1P 2PL, OR PHONE 01-834 3848.

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## NORAMCO MINING CORPORATION

Notice to Holders of Units consisting of One Common Share and One-half of One Share Purchase Warrant

NOTICE IS HEREBY GIVEN that May 15, 1987 has been fixed as the Warrant Record Date for the separation of the Units (the "Units"), each unit consisting of one common share and one-half of one share purchase warrant (the "Warrants") of NORAMCO MINING CORPORATION (the "Company") offered for sale pursuant to a prospectus dated March 27, 1987. Units are currently evidenced by legended share certificates of the Company. After the separation of the Units, the legended share certificates will represent common shares only. Within ten (10) business days after the Warrant Record Date a separate certificate representing the Warrants will be mailed to the holders of record of the Units as of the close of business on May 15, 1987, together with a letter of transmittal pursuant to which such holders may replace their legended share certificates with new certificates evidencing common shares without legend.

NORAMCO MINING CORPORATION  
R. A. Bruce McDonald  
Chairman of the Board



## UK COMPANY NEWS

## Ultramar falls back to £36.3m

Ultramar, the independent oil company, saw pre-tax profits slump by more than 25 per cent from a restated £48.5m to £36.3m on turnover down from \$306.5m to \$236.9m in the first quarter of 1987.

However, Mr Lloyd Bensen, chairman, said that assuming relatively stable crude oil prices he looked forward to the remainder of the year with confidence. This was in spite of seasonal factors which would reduce profits in the second and third quarters for eastern Canada, and the weak US and Canadian dollars which would also cut profits when converted into sterling.

He believed that oil prices would recover over the next few years, and that with its large and increasing reserves of crude oil and natural gas the company was well positioned to benefit from this upturn.

Cash flow from continuing operations increased from \$39.5m to £41.6m.

Exploration and production produced a total of £7.9m (£22m) with Indonesia contributing £7.9m (£17m); UK (£2.4m); western Canada, £100,000 (£200,000); US, losses of £1.3m (£1.9m losses); ENSTAR operations, losses of £700,000 (£2.3m losses); and other losses, £500,000 (£400,000 losses).

Refining and marketing contributed a total of £21.3m (£12.6m) made up of: Eastern Canada, £21.4m (£13.7m); US west coast, £300,000 (£2m losses); and international trad-

ing losses of £500,000 (£900,000 profits).

Shipping activities incurred losses of £800,000 (£800,000), while other activities produced profits of £800,000 (£200,000). After net financing charges of £3.4m (£13.8m) and group administration costs of (£2.7m (£3m)), the contribution to group profits amounted to £18.2m (£12.1m).

Mr Bensen said that when restated to reflect year-end 1986 exchange rates, net profits for the first three months amounted to £9.3m.

He said that the results reflected a fine performance by the eastern Canadian downstream operation. Integration of the gulf marketing and distribution network was going well and the company continued to achieve an excellent operating performance from the Quebec Refinery.

Upstream profits were still depressed compared with the first quarter of last year. However, the combination of the company's upstream and downstream operations—which the

company had strategically sought to achieve—was now showing its value.

Ultramar sold its UK marketing operation in April for a total of \$47.6m which would result in a net gain of more than £25m to be shown as an extraordinary item in the half-year figure. It also raised \$40m through a convertible low-interest Eurosterling bond issue, the proceeds of which would be used to reduce interest charges by refinancing higher cost short and long-term borrowings.

Ultramar sold 213,800 (275,000) barrels of oil a day in the period; refined 103,500 (97,200) barrels; and produced 29,200 (31,000) barrels. Gas produced amounted to 412,900 (434,600) cubic feet per day. Tax charges took £18.1m (£38.4m) and minorities accounted for £3.3m (£2.4m). Earnings per share rose from 3.5p to 5.6p.

#### comment

Ultramar is clearly in better shape; operational cash flow at £41.6m was stronger than in any quarter for some time;

capital spending was virtually quartered; the Eastern Canadian downstream operations came through strongly in their heating oil driven peak period; and Indonesia has recovered from its fourth-quarter blues. However, the £104m fall in financing charges and a drop in the tax rate made more difference than any other single item to the net profit line. On forecasts of \$40m net (not including the \$25m extraordinary gain from the sale of the UK marketing operation) the shares are on a prospective p/e of 17—and are held up at this level by bid speculation centering on what Ron Brierley will do with his 13 per cent holding (acquired 18 months ago for an average of 165p).

Ultramar's sterling net asset value was then two to three times the share price. So, when Mr Bensen and Mr Brierley lunched together yesterday at least one of the two must have been thinking that with Ultramar's net assets now valued at about £3 on an \$18-a-barrel price, the upside potential seems far less obvious today.

## Stylo back to profit and lifts dividend

A return to profits was made by Stylo, multiple footwear retailer, in the year ended January 31 1987. At the pre-tax level it came to £1.53m, compared to a loss of £259,000. Earnings were 5.87p, against loss 2.05p, and the dividend raised from 4.5p to 5p net.

Mr Arnold Ziff, chairman, said a great deal of progress was made towards making the company more profitable. But management and staff have been distracted by the litigation being brought against Stylo and certain directors by a subsidiary of British Land, which owns some 25 per cent of the company's shares.

Turnover in 1986-87 rose to £53.34m (£49.58m) and trading profit came to £2.12m (£1.09m). Net interest charges were cut to £1.77m (£2m) and other income was up to £1.18m (£561,000).

The early part of the current year has been difficult, but Eastern's trading figures improved greatly, particularly in refitted shops. The chairman looked forward with confidence to further improvements this year.

## LandSec asset value surge surprises City

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Land Securities, the largest UK property development and investment group, yesterday surprised the market with a sharp increase in the value of its net assets and pulled up behind it prices through the sector.

Its net asset value per share, the favoured measurement of progress for property investment companies, rose from 420p at the end of March 1986 to 468p. The highest expectation in the City had been 475p. The share price rose to 470p before settling at 468p for a gain on the day of 16p.

The net asset value figure came with an announcement of a 6.8 per cent increase in pre-tax profits for the year to last March at £120.6m. Earnings per share rose from 15.79p to 17.78p. The final dividend is 7.75p, bringing total payments for the year to 11p, compared with 9.8p in 1985-86.

Land Securities is now riding the boom of capital values in central London property, where it has more than two-thirds of its portfolio. The latest valuation gives the portfolio a value of £250, an increase of £46.5m over a valuation carried out in March 1986.

At the same time, continued demand not only for office but also for retail property allowed rental income to continue its steady growth, rising from £152.6m to £175.8m for 1986-87.

## Ross plans USM quote for £10m valuation

By Alice Rawthorn

Three months into his business studies degree course, Mr Ross Marks, walked out of a lecture on "How to set up in business" and into Companies House to register his new company for £1. Now, 15 years later, that company is preparing to go public on the Unlisted Securities Market.

Mr Marks' company, Electronics House, manufactures and supplies audio accessories—such as headphones, microphones and stereos—both under its own brand name and as private label products for multiple retailers including Argos, Boots and Dixons.

In its earliest days, during Mr Marks' student years, the company supplied blank audio cassettes by mail order. In 1973 Mr Marks faced the choice of completing his degree or setting off on a buying trip to the Far East. He opted for the latter and Ross diversified into other audio accessories.

Initially all the company's products were sourced from contract suppliers in the Far East. Early in 1984 it introduced the first range manufactured by its own unit in West London. The company has since augmented the range of products produced in the UK, which now represent a quarter of sales, and has built up an overseas client base.

Both pre-tax profits and turnover have increased steadily in the past five years; with the exception of 1983/84 when the investment in the manufacturing plant and rationalisation of stock nudged the company into a loss. In the most recent financial year profits are expected to have increased to around £300,000 and turnover to £4m.

The company plans to go public in six weeks or so. After the flotation, in a placing through Smith New Court, it should be capitalised at under £10m with an historic p/e in the mid-tens.

## E. Anglian Water pref. lender results

East Anglian Water's sale by tender of 2.5m 7 per cent redeemable preference £1 shares 1986/87 at a minimum price of £1 received applications for 6.1m shares. The highest price offered was 157p, the lowest price to receive a partial allotment was 102.51p and the average price obtained was 103.09p.

## Ambrose Investment

NET ASSET value per income share of the Ambrose Investment Trust fell from 81.23p to 80.21p at year-end to March 31, while the value per capital share rose from 694.73p to 615.45p. After tax of £206,964 (£315,414) net revenue was £756,286 (£708,532). Earnings per share were 10.5p (£54p). A final dividend of 1.05p (£5.5p) makes 11.55p (£75p) for the year.

## Catalyst Comms.

On May 12 the FT incorrectly described Catalyst Communications as Catalyst, the Finnish company. In fact, Catalyst Communications is a British company, quoted on the Third market, which has made three acquisitions in the UK in recent months. We apologise for the error.

## Garfunkels up again

Talks about a possible bid for Garfunkels Restaurants lifted its shares another 19p to 259p. United Biscuits made clear, meanwhile, that it was interested in buying the chain, which includes Garfunkel's, Deep Pan Pizza Company and Black Angus Steak House restaurants.

## NORWAY'S COMMERCIAL BANK

Union Bank of Norway is one of the four leading Norwegian banks. We provide a complete range of banking and financial services to domestic and foreign clients in services, hi-tech and heavy industries. These include loan and overdraft facilities, money transfers, foreign exchange, securities trading and custodial services both for companies and for individuals. Our treasury capability includes fully automated cash-management and on-line information systems linking direct to the customer's own computer.

Please contact Terje D. Skullerud in Norway. Tel: (472) 31 90 50. Telex: 19470 UBN BK. Union Bank of Norway is known domestically as ABC bank.

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|----------|------------------------------|-------|--------|----------|------|------|
| 161 115  | Ass. Bnt. Ind. Ord.          | 168   | —      | 7.5      | 4.8  | 8.7  |
| 163 121  | Ass. Bnt. Ind. Ord.          | 168   | —      | 10.0     | 5.1  | —    |
| 40 28    | Arbitrage and Rhodes         | 37    | +1     | 4.2      | 11.4 | 6.2  |
| 80 64    | BBS Design Group (USM)       | 76    | —      | 1.4      | 1.8  | 19.1 |
| 20 166   | Bardol Hill Group            | 228   | —      | 4.6      | 2.0  | 16.2 |
| 147 55   | Bry Technologies             | 147   | —      | 4.7      | 3.2  | 11.8 |
| 126 56   | CCCL Group Ordinary          | 127   | +1     | 1.9      | 2.1  | 8.7  |
| 107 86   | CCCL Group Type Conv. P/W    | 102   | —      | 18.7     | 16.4 | —    |
| 136 58   | Carborundum Ord.             | 136   | —      | 8.4      | 3.9  | 12.0 |
| 84 30    | Carborundum 7.5p Pref.       | 84    | —      | 16.7     | 11.4 | —    |
| 126 76   | George Blair                 | 98    | —      | 3.7      | 2.8  | 2.3  |
| 176 119  | Iale Group                   | 120   | —      | 16.3     | —    | —    |
| 126 107  | Jackman Group                | 126   | —      | 6.1      | 4.5  | 8.6  |
| 377 250  | James Burrough               | 372   | —      | 12.9     | 12.7 | —    |
| 100 89   | James Burrough 5p Pref.      | 94    | —      | 12.9     | 12.7 | —    |
| 1006 32  | Mulhouse NV (Amst)           | 600   | —      | 4.8      | 1.4  | 23.8 |
| 408 280  | Record Ridgway Ordinary      | 43    | —      | 14.1     | 16.4 | —    |
| 100 53   | Record Ridgway 10p Pref.     | 88    | —      | —        | —    | —    |
| 91 27    | Robert Jenkins               | 91    | —      | —        | —    | —    |
| 91 30    | Scruttons                    | 91    | —      | —        | —    | —    |
| 146 32   | Torrey and Carlisle          | 158   | —      | 5.7      | 3.6  | 9.8  |
| 340 321  | Trevian Holdings             | 330   | —      | 7.9      | 2.4  | 6.9  |
| 91 42    | Uallock Holdings (SE)        | 88    | —      | —        | —    | —    |
| 146 85   | Walter Alexander             | 143   | —      | 10.4     | 3.5  | 15.7 |
| 220 150  | W. S. Yeates                 | 150   | —      | 8.7      | 8.2  | 19.0 |
| 116 67   | West Yorks. Ind. Hosp. (USM) | 110   | —      | 5.5      | 5.1  | 15.7 |

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THIS ADVERTISEMENT IS PUBLISHED BY COUNTY LIMITED ON BEHALF OF TESCO PLC. (i) The Directors of Tesco PLC have taken all reasonable care to ensure that the facts stated herein are true and accurate and each of the Directors accepts responsibility accordingly. (ii) The value of the share offer of 395p is based on the Tesco share price of 536p at 4pm on 13th May 1987.

\*The right is reserved to increase and/or extend the Increased Offer should a competitive situation arise or should the Panel on Take-overs and Mergers so agree. If the offer becomes or is declared unconditional as to acceptances, the share offer (but not the Cash Alternative) will remain open for acceptance for not less than 14 days after the date on which it would otherwise have expired.



## Ratners up 94% as H. Samuel benefits flow

BY PHILIP COGGAN

Ratners, the jewellery group currently involved in a contested takeover bid for Combined English Stores, yesterday announced pre-tax profits up 94 per cent on an adjusted basis, for the 43 weeks ending January 31 1987.

Last month, Ratners launched a recommended offer for CES, but five days later Next, the fashion retail and mail order group, came in with a higher offer which won over the CES board. On last night's share prices, the bids were worth £285m and £389m respectively.

Ratners' primary interest in CES is the Zales, Weir and Colingwood jewellery chain, but Next has no existing retail jewellery interests and has led some to speculate that it might sell the chains to its rival.

Mr Gerald Ratner, chairman and chief executive, said yesterday: "We have a range of options, one of which might be to work out a deal with George Davies" (Next's managing director).

However, Next indicated at the time it announced its bid that it was keen to hang on to CES' jewellery stores.

If Ratners did buy the CES chains, either by winning the bid or by doing a deal with Next, it would have a share of the jewellery market estimated at around 15-20 per cent, and there have been earlier calls for the bid to be referred to Monopolies Commission.

Yesterday's figures showed that Ratners has made an encouraging start in its effort to improve returns at H. Samuel, which was acquired in May, 1986. Profit per square foot has increased from £12 to £35, although that is still below the £66 achieved in the Ratners chain. Sales per square foot were £266 at H. Samuel and £356 at Ratners, and overall the increases in turnover were 35 per cent and 45 per cent respectively.

Terry's has moved out of its traditional base in the South-east and plans to open a further 25 shops this year, with a further 50 shops planned to open in the Ratner chain. Pre-tax profits for the 43 weeks were £22.54m, against the pre-forms £11.58m, on turnover of £168.2m (£114.6m).



Gerald Ratner, chairman and chief executive of Ratners Jewellers

There was an extraordinary profit of £474,000, largely resulting from compensation paid to Mr Anthony Edgar, ex-chairman of H. Samuel.

Fully diluted earnings per share were 16.18p (8.13p) and the final dividend was set at 5p, making a total of 4p (3p).

comment

These figures were signalled at the time of the CES bid so they received rather less trumpeting than they deserved — after all, 10 months ago analysts were only expecting £14m and H. Samuel seems almost literally to have been a goldmine. But all eyes are on the battle for CES. Gerald Ratner is probably unlikely to come up against one of the few retailers with a more widespread image than he has — whether George Davies and he can strike a deal may be more a matter of personal chemistry than industrial logic. The best option would seem to be for Ratners to buy at least part of the CES jewellery business — buying all of it might run into monopolies problems and a revised bid would dilute Ratners earnings. Ratners shares, 349p yesterday, will sit on the sidelines until the CES question is settled; on trading terms, assuming pre-tax profits of £40m this year, the prospective p/a is an undemanding 12.

## Chloride's small stake in Dale Electric

By Nikkai Tait

Chloride, the battery group, yesterday confirmed that it has acquired a small stake in generating sets manufacturer Dale Electric, which is currently on the receiving end of a takeover bid from Sunlight.

However, Chloride says the stake is "well" under 1 per cent and has been taken as a trade investment. "There is no more to it than that."

The two companies have known each other well for many years, and in the early 1980s, before Dale went public, a Chloride offer was considered by the Yorkshire-based company.

There are currently trading links—Dale, for example, is the Chloride distributor for Thailand. Dale, itself, says it understands the Chloride interest is "friendly."

Chloride, meanwhile, yesterday put out a statement dispelling rumours that BIOC, the cables group, "intends to offer around 120p" for the company.

Chloride said it had been assured by BIOC that the speculation was totally without foundation. The two companies share a common director — Mr Robert Biggam, BIOC's managing director, holds a non-executive post on Chloride's board.

Chloride has been subject to considerable bid speculation in the past, but earlier this year saw one rumoured predator, Heron International, reduce its stake below the disclosure threshold.

Last December, Mr Kent Price, an international banker, took over as chief executive, and since then considerable internal reorganisation has taken place.

Chloride shares closed down 1p to 185p.

GKN prospects

At the annual meeting of GKN it was stated that the trend of 1987 monthly pre-tax profits had been upwards and very much in line with internal projections.

That justified expectations that profit for the first half would exceed the £58m achieved in the second half of 1986.

In the first half of that year the group made £74.5m.

## Henderson hit by security losses

MR PAT GAYNOR, chairman of the Henderson Group, yesterday revealed that profits for the 1986-87 year had fallen by £1.06m to £4.42m at the pre-tax level.

He added, however, that the current year had begun encouragingly and that he believed the group had now started on the road back to its former levels of growth and profitability.

Mr Gaynor pointed out that having established a sound future operating base, the group's forward strategy would be to seek growth from its traditional core base of building-related products and its revitalised security operation—the latter swung from profits of £1.4m to losses of £206,000 during the past year.

The chairman said this would be done via a balance sheet strengthened by the disposal of the Normand interests which would result in gearing falling from its year-end 34 per cent to some 18 per cent.

Turnover for the year to February 28 1987 rose from £80.58m to £86.91m—Henderson's main area of business is the production of doors both for garages and for industry. Operating profits declined from £5.78m to £4.79m.

Results were also given yesterday in pro-forma accounting to show the past year's trading figures as if all activities discontinued during and after the period had not been owned by the group throughout the 12 months.

These showed turnover at £78.6m and profits before tax at £3.91m.

Tax accounted for £1.63m (£2.1m) and minorities for £158,000 (£20,000).

Provisions for losses arising from the closure and sale of subsidiaries during the year together with further sales and restructuring completed or planned, less a release from the capital reserve, totalled £1.9m and were treated as an extraordinary item.

A breakdown of pre-tax profits by division shows PC

Henderson (sliding door gear, garage doors and aluminium ladders) £4.06m (£2.4m), Henderson Doors (industrial and vehicle doors and partitions) £2.42m (£2.39m), security loss £206,000 (profit £1.4m), direct subsidiaries, including FHP, £94,000 (£585,000). Losses of discontinued activities accounted for £875,000 (£20,000 credit) and group central costs and net interest charges for £1.23m (£1.27m).

Earnings per 25p share emerged at 12.5p (15.4p) or 13.1p on a pro-forma basis and a final dividend of 5p lifts the 1986-87 total from 7p to 7.5p net.

Mr Angus Clark and Mr Tom Todd, executive directors, have been appointed co-managing directors.

comment

Little has gone right for Henderson Group since its £3.3m all paper bid for R. Cartwright in early 1986 was beaten by a £12.2m offer from Newman Tonks. Subsequently Hender-

son's shares have performed poorly and the company has clearly battled (and lost) the effort to sustain the £6.6m 1984-85 pre-tax forecast made during the bid. The disposal of Normand Electrical, most of which is being sold for £3.2m, seems overdue. This subsidiary cost £4.9m in March 1982 and has produced £2.3m (including £1m from a 1984 property sale and the £464,000 loss of the FHP business which may soon be sold off separately) in the five years since. While the pro-forma figures, that is ex Normand, lessen the apparent damage the real concern has to be the £1.8m swing into the red in the security division. The new double-headed management team has stepped up marketing and development spending but surely this should have been phased so as to prevent the fall into a loss? At 221p the shares are expensive and the two point premium to the sector can only be due to bid speculation—7.7 per cent is in the hands of a Turks & Caicos Islands "long term investor."

## All-round growth as Gieves rises 41%

ALL-ROUND growth helped Gieves Group report taxable profits up by 41 per cent for the year to the end of January 1987. And in the present year directors said they would be disappointed if, with full-year's figures from Bookpoint and Gieves & Hawkes International breaking even, earnings per share did not continue to increase.

Pre-tax profits rose from £1.01m to £1.42m on turnover up 17 per cent at £40.19m (£34.34m). Earnings per 50p share came out at 10.1p (8.9p) and the directors are proposing an increased final of 2.5p (2.3p), making a total of 3.7p (3.3p).

Directors said the merchandising and wholesaling subsidiary, Gieves & Hawkes International, had completed the final year of its development phase. The net costs of £225,000 (£235,000) were in line with the original plan and were taken above the line.

The contribution to operating profits of £163,000 by Bookpoint, the recently acquired book distributor, was for only the second half of the year. Turnover continued to grow but profits were hit in late summer by a downturn in the home computer software business.

A breakdown of operating profits for the other offshoots showed tailoring and outfitting ahead at £670,000 (£602,000); book and magazine manufacturing £605,000 (£570,000); publishing and library supplies £464,000 (£322,000); motor and petrol retailing £161,000 (£111,000).

The net interest charge was higher at £114,000 (£68,000). The tax charge was £442,000 (£205,000) and last time minorities took £15,000.

## London Trust's assets up in transitional year

London Trust reported its net asset value per share had risen from 86.8p to 87p in the year to March 31 1987. This occurred in a year which had seen a continued re-orientation of the portfolio and a fall of 8.3 per cent in the value of the dollar where more than 75 per cent of the Trust's assets were now invested.

The investment partnership between London Trust and Hambrecht and Quist, H & Q London Ventures, had been highly successful. At March 31 1987 the partnership had investments in 40 companies with a total valuation of \$63.2m (cost \$58.0m). The sterling equivalent at £1.40 was £51.5m (61 per cent of total assets).

The board felt that, to reflect

more accurately the investment objective of growth of capital through venture capital investment in the US, shareholders' approval should be sought at the agm to change the name of the company to London American Ventures Trust.

A dividend of 0.75p would be recommended for the year to March 31 (same) but the directors said that as the trust becomes more fully invested, it was most unlikely that any dividend would be paid.

Gross revenue in 1986-87 amounted to £3.34m (£5.5m); expenses accounted for £1.61m (£2.03m) and interest charges to £368,000 (£1,06m) leaving net revenue before tax of £1.36m (£2.39m). Tax took £563,000 (£958,000).

## Wm Boulton outlines its capital reconstruction

DETAILS OF the capital reconstruction plan proposed by the William Boulton Group last October were released by the directors yesterday along with the results for the opening six months of the current year.

The reconstruction will take the form of an offer to existing shareholders to exchange their holdings for an equal number of shares in a new holding company, the Cauldron group.

They were proposing to implement the plan in order to eliminate the deficit on the profit and loss account reserve so that the group would be in a position to recommence dividend payments when future earnings permitted.

During the six months to December 31 1986 turnover totalled £2m (£1.84m). At the pre-tax level the group swung from losses of £197,000 to profits of £37,000—the results were for the continuing operations only. Interest charges were reduced to £134,000 (£314,000).

Earnings per 10p share were 0.1p against previous losses of 0.5p.

During the past two years certain former companies were sold to Wincemano Holdings on terms which included deferred payments up to and including 1990. However, an agreement was reached earlier this month to accept a total variation of £1.5m in full and final settlement of all matters.

## Whessoe into red at £5.36m

Whessoe, the troubled engineering company, has slipped into the red with half-time losses of £5.36m, compared with pre-tax profits last time of £1.57m.

Directors said the figures for the six months to March 28 reflected the shortage of work at offshore contract margins in the company's heavy engineering and high pressure pipework

sub-groups in the UK. The situation had been compounded by a large loss on a major offshore contract and the necessity to make provision for overruns in timing and costs on certain contracts which are the subject of claims still under negotiation.

Heavy engineering turned in a loss of £759,000 (£370,000 profit) and high pressure pipework a loss of £1.9m (£648,000 profit). Alton Australia performed well and light engineering sustained its profits at £413,000 (£351,000).

Turnover fell from £47.83m to £40.02m and loss per share worked out at 19.8p, compared with earnings of 3.9p. No interim dividend will be paid.

There was an exceptional item of £3.13m (nil) for redundancy and restructuring costs, a tax credit of £1.79m (£668,000 charge) and depreciation of £1m (£947,000).

Net interest payments rose sharply from £41,000 to £344,000. Lord Erroll of Hale will retire as chairman on May 27, 1987. He will be succeeded by Mr George Duncan.

Anglo Irish Bank

Anglo Irish Bank Corporation, formed by the merger of Anglo Irish Bank with City of Dublin Bank, lifted pre-tax profits from £124,000 (£292,000) to £254,000 in a period when the Irish economy was not in good order and interest rates were volatile. It paid tax of £285,000 (£128,000) after which earnings rose to 1.7p (1.58p). The declared interim is held at 0.9225p.

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## A/B/C Union Bank of Norway

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## MID-SUSSEX WATER COMPANY

Incorporated in England under the Mid-Sussex Water Order, 1985

Authorised Share and Loan Capital £30,000,000

PLACING of £3,000,000  
10 per cent. REDEEMABLE DEBENTURE STOCK, 2013/17  
at £99 per £100 nominal

(payable as to £10 per cent. on acceptance, as to £40 per cent. by 30th September, 1987 and as to the balance by 31st December, 1987).

Application has been made to the Council of The Stock Exchange for the above Stock to be admitted to the Official List. In accordance with the requirements of The Council of The Stock Exchange, two market makers have been offered a participation in the marketing of the Stock. The Stock will rank for interest pari passu with all other existing Debenture Stocks and Mortgages of the Company.

Listing Particulars relating to the Stock have been circulated by Exult Statistical Services Ltd. and copies may be obtained during usual business hours up to and including 19th May 1987, from the Company's Announcements Office, The Stock Exchange, London EC2N 1HP; for collection only, and up to and including 28th May 1987 from Mid-Sussex Water Company, 1 Church Road, Haywards Heath, Sussex RH16 3DX, from Close Registrars Limited, 36 Great St. Helen's, London EC3A 8AP, or from:-

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14th May 1987

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## Ladbroke Group reports a year of outstanding progress. Pre-tax profit for 1986 exceeds £100m for the first time.

|                                     | 1986<br>£m | 1985<br>£m | 1984<br>£m |
|-------------------------------------|------------|------------|------------|
| Turnover                            | 1,765.6    | 1,342.6    | 1,115.9    |
| Profit before taxation              | 101.3      | 75.1       | 50.2       |
| Profit attributable to shareholders | 84.4       | 43.2       | 29.3       |
| Shareholders' funds                 | 698.8      | 545.6      | 329.9      |
| Dividends per share                 | 12.50p     | 11.25p     | 10.00p     |
| Earnings per share after taxation   | 25.02p     | 21.21p     | 17.97p     |

Turnover up by 31% to £1.76 billion; operating profit increased 46% to £130.7m; pre-tax profit £101.3m, up 35%. Earnings per share increased 18% to a record 25.02p, notwithstanding the issue of 64.4m new shares in the year.

The group intends to maintain its record of annually increasing dividends, since becoming a quoted company 20 years ago, with a total payment for 1986 of 12.5p.

Ladbroke's growth is based on achieving a balance between short and medium term earnings from a combination of cash flow and asset based businesses for which the company plans year by year increases in profit and earnings per share.

The highly successful rights issue of approximately £300m, completed in April 1987, will accelerate these plans while ensuring the maintenance of a strong balance sheet.

### Hotels

Current trading is buoyant and, with a substantial investment in upgrading accommodation and public areas being reflected in increased tariffs, Ladbroke Hotels is confident of achieving major growth in 1987.

### Property

In 1986 the group's portfolio of prime properties was expanded on the eastern seaboard of the USA and in the City and West End of London, while good progress was made with developments under construction, commercial lettings and sales of lux-

ury apartments. The foundations have been laid for further substantial progress in the future.

### Racing

Ladbroke Racing strengthened its position as the world's largest commercial betting organisation. Through its acknowledged market leadership, it is in an excellent position to take advantage of the opportunities for growth which exist nationally and internationally.

### Texas DIY

The trading performance of Texas Homecare, since its acquisition in April 1986, is very encouraging. Product innovation, backed up by effective sales support and service, continues to reinforce Texas' market leadership position in a buoyant and growing area of consumer expenditure.

### Consolidated Balance Sheet

The balance sheet reflects the strength of the group: total assets at the year end amounted to £1,640.5m of which more than £960m was in property assets.

### 1987

Trading profits for the first four months of the year are most encouraging; the company is confident of again producing good results for 1987.

## Ladbroke.

For a copy of the 1986 Annual Report please contact: The Secretary, Ladbroke Group PLC, Channel House, London NW10 2KE. Telephone: 01-459 8031.

Notes: The above group figures have been extracted from accounts which contain unaudited audit reports and, except for 1986, have been filed with the Registrar of Companies. Profits attributable to shareholders for 1986 includes an extraordinary profit of £22.0m.

This announcement is issued in compliance with the Regulations of the Council of The Stock Exchange. It does not constitute an offer of Shares in Mercury Selected Trust for subscription or purchase.

## MERCURY SELECTED TRUST

(incorporated in Luxembourg as a société d'investissement à capital variable)

Mercury Selected Trust ("MST") is an open-ended investment company with an "umbrella" structure comprising classes of shares (denominated in dollars and of no par value) linked to separate investment portfolios ("Funds"). Shares linked to the following Funds are now available:—

- Global Fund
- North American Fund
- Japan Fund
- European Fund
- United Kingdom Fund
- Pacific Fund
- Australian Fund
- Hong Kong Fund
- Singapore & Malaysian Fund
- European Opportunities Fund
- Japan Opportunities Fund
- North American Opportunities Fund
- Global Bond Fund
- Global Managed Currency Fund
- Yen Global Equity Fund
- Yen International Equity Fund
- Yen Global Bond Fund

Through active management, the Company seeks to maximise the return of each of the Funds. The primary investment objective of the various Equity Funds is capital appreciation. The primary objective of the various Bond Funds and of the Managed Currency Fund is total return.

Shares of each of the Funds of MST have been admitted by the Council of The Stock Exchange to the Official List and they are also admitted to listing on the Luxembourg Stock Exchange.

Particulars relating to MST are available in the statistical services of Exel Financial Limited. Copies of MST's Prospectus are available for collection during normal business hours (Saturdays and Public Holidays excepted) up to and including 18th May, 1987 from the Company Announcements Office, The Stock Exchange, Throgmorton Street, London, EC2, up to and including 29th May, 1987 from:

Rowe & Pitman Ltd.,  
1, Finsbury Avenue,  
London, EC2M 2PA

and at any time from:

Warburg Investment Management Jersey Ltd.  
39-41, Broad Street, St. Helier,  
Jersey, Channel Islands  
(the Manager of MST)

Mercury Warburg Investment Management Ltd.  
33, King William Street,  
London, EC4R 9AS  
(the Investment Adviser to MST)

Existing Shareholders should note that a number of changes have been made in the administration of the Company, and that in particular a charge may in future be made in respect of conversions between Funds effected for a Shareholder on more than twelve occasions in any period of twelve months. These changes are reflected in the Company's new Prospectus, which is being sent (together with an explanatory letter) to registered shareholders and is also available as mentioned above. Copies of the explanatory letter may be obtained from the Manager and the Investment Adviser at the addresses above, or from the Company's Paying Agents.

14th May, 1987

## UK COMPANY NEWS

### Offer terms put £27.5m valuation on Pickwick

BY RICHARD TOMKINS

Pickwick, the record, cassette and compact disc company being floated on the stock market, yesterday unveiled its plans for an offer for sale which will value the group at £27.42m.

N. M. Rothschild, the merchant bank, is to offer 8.76m shares at 125p each, with Hoare Govett as stockbroker to the issue. The prospectus will be published tomorrow.

Pickwick is best known for its low-price records and cassettes featuring popular classical works and the greatest hits of recording artists such as Elvis Presley, Johnny Mathis and Mantovani. More recently, however, it has diversified into other home entertainment products.

Large proportions of its turnover now come from its "Telly-Tale" range of children's books and cassette packages, from the production of low-price compact discs, and from sales of pre-recorded video cassettes. It also licenses overseas companies to reproduce its recordings.

The company was founded in 1962 by Mr. Monty Lewis, who at 86 remains non-executive chairman. He and his family are selling 51m worth of shares in the flotation, leaving them with 10 per cent of the equity.

Another £830,000 worth of shares are being sold by Mr. Ivor Schlossberg, the chief executive. He led a consortium of

institutional investors which bought 50 per cent of the company from Mr. Lewis for £4.5m in 1986.

Pickwick was owned by the American Can Company from 1977 to 1982 and ended that period in heavy losses. In 1983 it came back into pre-tax profits

of £452,000, and with its expansion into new product areas, these profits grew to £1.6m in 1986.

For the current year, the company is forecasting another jump to at least £2.6m, putting the shares on a prospective p/e multiple of 16.34.

### CFS advances to £514,000

Comprehensive Financial Services boosted pre-tax profits by more than 57 per cent from £326,000 to £514,000 on turnover up from £1.55m to £2.02m in 1986.

CFS also revealed a link with Knight Frank and Rutley, UK and international estate agents, to provide a broad range of financial services for its customers.

The directors recommend a

final payment of 2.2p (1.5p), making a total of 5p (2.2p) for the year.

Mr. Oliver Stanley, chief executive, said that CFS, trust and investment management departments expanded their client bases significantly in 1986. CFS, which obtained a US\$1.6m (£117,000) listing in 1984, paid tax of £160,000 (£117,000). Earnings per share worked through at 8.12p (5.45p).

### BOARD MEETINGS

| TODAY   | FUTURE DATES |
|---|--------------|
| Interim: Associated Energy Services, Associated Paper Industries, English China Clay, Grand Metropolitan, Royal Insurance, Seatch and Seatch  | May 20       |
| Final: British and Commonwealth Holdings, Corson Beach, Eco Inter-national, External Investment Trust, John Foster, Gerard and National, Grampian Television, London Atlantic Investment Trust, Muller International, North Sea and General Investment, Thames TV, Whitbread Investment | May 22       |
|   | May 23       |
|   | May 24       |
|   | May 25       |
|   | May 26       |
|   | May 27       |
|   | May 28       |
|   | May 29       |
|   | May 30       |
|   | May 31       |

## Merlin plans international expansion

Merlin International Properties, based in the Isle of Man but quoted on the London exchange, yesterday became the focus of a triangular deal aimed at creating a new international speciality shopping centre development and management company.

In a series of share and cash deals it is linking with two private property development groups in Australia and the US, respectively the Hayson Group and Enterprise Development Company.

It is also taking over Abbeygate, a private UK company founded and run by Mr. Peter Jevons, who becomes Merlin's chief executive for the UK and Europe.

Citicoop Investment Bank and Scrimgeour Vickers are currently working on a placing with institutions of £36m worth of Merlin new ordinary and convertible preference shares in order to fund the corporate moves and provide working capital for Merlin's first UK ventures.

Merlin shares were suspended on Tuesday at 2.25p, after a 25p

rise on the day, and trading in them will not resume until after the placing, expected next week.

The price, which is just under its 1986-87 peak, is currently overhauled and Citicoop said the new shares would be offered at "a material discount".

With fresh funds available, Merlin will be able to move into the Australian and US property markets.

The plan announced yesterday provides for it to spend \$50m—made up of \$4.5m cash and the balance in shares—to take a 57.6 per cent interest in Hayson's "festival marketplace" development at Darling Harbour, and a 100 per cent interest in its mixed office and retail development at Pitt Street, both in Sydney.

Merlin also takes over the Hayson interests in tenders for new developments at Manly Wharf, Sydney and in Brisbane.

Also, in this part of the deal, the Hayson Group shareholding in Merlin will be raised from 26.9 per cent to 29.9 per cent. As far as the US is concerned, Merlin will subscribe to EDC preference shares with an option

to convert them into equity equivalent to 33.3 per cent of Enterprise's share capital. This will cost \$5m cash and \$1m in Merlin convertible preference shares. Merlin and EDC will sign a development co-operation agreement.

Abbeygate, the Jevons company in the UK, will be absorbed by the issue of Merlin ordinary shares valued at £2.5m.

The common thread in the moves is the phrase "festival marketplace," devised by Mr. James Bousie, the chairman of EDC and the man behind the regeneration of the Baltimore waterfront in the US.

It is officially described as "a type of development which combines specialty retail outlets and restaurant and fast food facilities." Covent Garden in London is an example. Mr. Jevons said: "It is all about the question—can you create an atmosphere where people want to be."

The House technique of development is being used by Hayson at its Darling Harbour development and Merlin wants to use it in the UK.

Once the financial links

### USM debut values GC Flooring at £7.16m

By Alice Rawthorn

GC Flooring & Furnishings, a fitter and supplier of contract floor coverings, yesterday announced that it is joining the Unlisted Securities Market in a placing of shares which will value its business at £7.16m. Half the money raised by the placing will be retained by the company.

The company was established in the late 1940s as a supplier and layer of wooden floors. In the 1960s it diversified into the carpets field and has since built up a business supplying carpets, hard floor coverings.

Merlin and Spencer is the largest single client—in the first half of the present financial year it provided two-thirds of turnover.

GC Flooring slipped into losses in 1985-86—chiefly due to intensive price warfare—but has since recovered, increasing both pre-tax profits and turnover in each successive year to produce profits of £308,000 on turnover of £8.8m in the year to June 30, 1986. In the present year it expects to boost profits to £700,000.

In the placing, through Capel-Cure Myers, GC Flooring will issue 1.98m shares, or 21 per cent of its equity, at 75p each. At the placing price the company sports a prospective p/e of 14.

### FIRST UNION CORPORATION US\$150,000,000

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The Rate of Interest per annum on First Union Corporation's US\$150,000,000 Floating Rate Notes due 1996 for the interest period beginning 15th May 1987 and ending 15th August 1987 the next interest Payment Date, will be 7 1/8%.

The amount of interest payable for each interest period on each \$10,000 principal amount of the Notes will be \$188.25.

Bankers Trust Company, London Agent Bank

## Land Securities

### Abridged Summary of Results for the Year ended 31st March, 1987

|   | 31.3.87<br>£m | 31.3.86<br>£m | Increase<br>% |
|---|---------------|---------------|---------------|
| Total income  | 204.1         | 171.5         | 19.0          |
| Net rents and interest receivable                     | 164.0         | 134.0         | 22.4          |
| Interest payable                                      | 43.4          | 21.1          | 105.7         |
| Income on ordinary activities before taxation         | 120.6         | 112.9         | 6.8           |
| Taxation  | 21.1          | 33.4          | (6.9)         |
| Income available for distribution                     | 99.5          | 79.5          | 12.6          |
| Dividends per share paid (3.25p) and proposed (7.75p) | 11.0p         | 9.8p          | 12.2          |
| Earnings per share                                    | 17.78p        | 15.79p        | 12.6          |
| Dividend cover—times                                  | 1.62          | 1.61          |               |
| Net assets per share                                  | 488p          | 420p          | 16.2          |

The Knight Frank & Rutley valuation of the portfolio as at March, 1987, totalled £3,009.8m, an increase of £466.5m over that at the previous year end. Taking into account expenditure on properties, £179.2m, and the book value of properties sold, £25.8m, during the period, the surplus on revaluation was £313.1m, an increase of 11.6% (1986: 3.3%).

Incorporating the valuation in the Accounts at March, 1987, and without adjusting for taxation payable in the event of properties being sold the consolidated net assets of the Group at that date amounted to £2,456.4m, on which basis the net assets per share were 488p.

It is proposed to start developments, within the next 12 months or so, to provide a further 1m sq. ft. net of air conditioned offices in the City, West End and Victoria and over 650,000 sq. ft. of new space in covered shopping centres. Construction of over 800,000 sq. ft. of retail warehouse space has started, or is due to start later in the year.

In addition to £200m of long-term borrowings raised in the year to March, 1987, a further £300m loan capital has been issued since the year end. When fully paid, the aggregate loan capital outstanding will be £837.3m of which £251.6m is unsecured.

The further expansion of the Group's development programme, much of which is due to commence in the near future, is an expression of the Board's confidence in the property market and the Board is satisfied that the developments to be undertaken will provide both good capital growth and when completed an appreciable and increasing contribution to the income of the Group.

The long-term borrowings raised to finance the development programme will increase significantly the interest payable by the Group. Nevertheless, it is the intention of the Board in the absence of any unforeseen circumstances to continue to increase the annual dividend, although the cover for the distribution will be affected by the amount of resources tied up in the development programme from year to year.

The Report of the Directors and the Accounts containing an unqualified Report of the Auditors, a detailed portfolio review, illustrations and photographs with additional information including a list of major properties, are due to be distributed on 1st June, 1987. Non-shareholders who would like a copy are requested to write to The Secretary.

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Friedrich Finzen  
Friedrich Finzen



## COMMODITIES AND AGRICULTURE

## Vestey land escapes Brazilian takeover

By Ann Charles in Sao Paulo

FOUR FARMS belonging to the Lancashire General Investment Company, a privately-owned Brazilian company belonging to the Lord Vestey group in the UK, have narrowly escaped being recommended for expropriation. The nine-member agrarian commission of the Sao Paulo office of the Federal agency responsible for pushing through President Jose Sarney's land reforms, recognised that the productive farms should not be subjected to expropriation and agreed to end the proceedings.

In the two years since agrarian reform started President Sarney has said publicly several times that the productive farms would not be touched, but it is an example of the politicisation of the land reform process that the Lancashire farms have reached the Commission.

According to Inera's own inspection in finding, the farms totalling 125,000 hectares in the interior of Sao Paulo are classified as agro-businesses with a productivity index of 119 per cent, well above the state norm for land utilisation.

The proceedings against the farms were initiated a year ago by a Federal deputy from the PMDB, Brazil's main political party, who unsuccessfully sought re-election last November from a city in the interior of the state located near one of the Lancashire farms. He claimed that the city, and Guaraci, was impoverished because of the presence of the farms.

One of the Commission members, Mr Placido Jacarevino, an international property owner, said that the farms were modelled on advanced techniques, had achieved a yield in corn which was 50 per cent above the national average, provided housing, schooling, a recreational club, transportation and subsidised food for its workers, and stood out when viewed from the air.

The farms, Fazenda Jacarevino, Sao Francisco, Jacarevino, and Fazenda do Rio Grande, have an average yield for corn of 115 to 120 bags per hectare, with a high of 160 bags in some areas, well above the Brazilian average of under 50 bags. Maize (sugar cane, soybeans, oranges and coffee are also grown).

The farms have also collected 40,000 native cows, as part of its effort to improve the breed. According to a Brazilian agronomist/geneticist working on the project, it is the largest and most efficient study of native breeding in the world.

Range fed cattle from the farms are slaughtered with a carving percentage of over 90, when the national norm is 80. The time span to reach slaughter weight of 240 kgs has also shrank from the Brazilian norm of 44 to 45 months to 30 to 31 months.

Early in the four-hour meeting on expropriations, one commission member said that it would be "suicidal" to recommend expropriation for farms Inera judges to be productive. Nevertheless, the commission is worried that it has filled only 3 per cent of its quota of a land per migrant farms.

Competition is likely to be fierce, with world markets short of quality teas and prices depressed by a glut of low and medium types. However, a significant switch by Pakistani buyers away from quality tea

## Judge turns down plea to wind up Tin Council

BY STEFAN WAGSTYL, MINING CORRESPONDENT

A HIGH COURT judge yesterday dismissed an application for a receiver to be appointed to recover the debts of the insolvent International Tin Council from its 22 member states, including the UK.

Mr Justice Millett was giving judgement in one of a series of cases arising from the tin crisis, which blew up in October 1985 when the tin council ran out of money administering an international tin price support pact.

He said MacLaine Watson, a London Metal Exchange trader owed more than £6m by the council, had embarked on a "hopeless" quest in trying to show that the ITC had a right to claim contributions from its members and that a receiver could take over his right.

The judge said MacLaine Watson's argument was based on the "fallacy" that because such a right was not stated in the International Tin Agreement, which set out the council's rights, it could be inferred that

it existed elsewhere in law. MacLaine Watson had argued that the council should be regarded as a partnership, which meant that, under English law, the partners would be liable for its debts.

But Mr Justice Millett said the council's members were sovereign states with the power to enter into an international treaty which was not governed by the law of any single country or enforceable by it. The council's rights were "derived from the treaty (under which it was established) and nowhere else." He added: "The fact that the ITC is not enforceable by the English courts does not entitle the courts to pretend that it does not exist or to cast around for some fanciful source of the ITC's rights against its members."

Mr Justice Millett said he would not rule on whether the council had a separate legal personality of its own, distinct from its members, in both international and English law.

which would make it directly liable for its debts. That was the "crucial question" in direct actions by creditors against member governments.

MacLaine Watson has started such an action against the British Government which is applying to have it struck out in a hearing due to start on July 30. Other metal brokers and banks are launching similar actions against them.

Mr Justice Millett said he was not persuaded that the council was a partnership, and that it was not enforceable by the English courts.

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## First platinum option announced

BY LAURA RAUN IN AMSTERDAM

THE EUROPEAN Options Exchange (EOE) in Amsterdam will launch next week the world's first platinum option, which also will be listed on the Montreal, Vancouver and Sydney stock exchanges in a widening of their global trading link.

The option contract, which will be unveiled on Tuesday, will cover 10 troy ounces of platinum and be priced in US dollars—the same terms as on

the other three exchanges. That way a position can be opened on one bourse and carried through the time zones to allow trading nearly 24 hours a day.

The four exchanges originally established their trading links in gold and silver options in the early 1980s but have admitted that the amount of business flowing through these global channels has been limited. The surge in gold prices in recent months, however, has

sent gold and silver option trading soaring on the EOE, and presumably fuelled linked dealing.

Platinum is traded currently on the New York Mercantile Exchange (Nymex) where a futures contract covering 50 troy ounces is listed. Nymex is also considering launching a platinum option contract.

The new option on platinum for physical delivery is being largely at providing new hedging and arbitrage opportunities for the platinum futures as well as for metal traders in general.

Volume in the EOE's gold options has soared over the past couple of months on climbing gold prices and is starting to approach that on the New York commodities exchange, the world's premier exchange for precious metals. The EOE recently moved into a modern, new trading floor and is actively launching a range of new options and two new exchanges, one for financial futures and the other for energy options.

## Aluminium smelters seek investment opportunities

BY JOE MANN IN CARACAS

VENEZUELA'S two largest aluminium smelters—Venalum and Alcas—are searching for new investment opportunities in aluminium production in the US and Europe.

They plan to buy stakes in offshore companies so that they can ensure placement of part of primary aluminium (logot) production in their two most important international markets, and share in profits from downstream manufacturing, distribution and sales of aluminium products. Venezuela's state-owned petroleum industry is carrying out a similar programme investing around \$400m so far in oil refining and distribution systems in Europe and the US.

Alcas last year invested \$15m in a 50 per cent interest in an aluminium extrusion and foil maker in Belgium. Reynolds International

national of the US owns the other 50 per cent of shares in Alcas. Both Alcas and Venalum said they are holding talks with other European and American aluminium companies about possible joint ventures.

At the same time, the two Venezuelan concerns—now undergoing major expansion in aluminium production capacity—have secured long-term sales contracts with European and American clients.

Venalum and Alcas are both joint ventures in which the Venezuelan Government holds a majority. A group of Japanese industrial firms owns 20 per cent of Venalum (production capacity of over 280,000 tonnes per year of primary aluminium) while Reynolds International holds 15 per cent of Alcas (production capacity of over 144,000 tonnes per year).

## Japanese step up buying

Japanese aluminium consumers have stepped up forward buying of primary metal on the international spot market in the past few weeks following sharp domestic production declines and tighter supplies from overseas. Reuters reports from Tokyo.

They are expected to continue buying forward as they believe that spot prices are likely to rise further in yen terms in reaction to reduced output by larger North American smelters.

Japanese demand for primary aluminium is estimated at some 1.8m tonnes, little changed from the past few years. But imports are expected to rise to 1.6m tonnes this year, against 1.2m last year.

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## LONDON MARKETS

ALUMINIUM continued to outpace the London Metal Exchange's other base metals contracts yesterday as prices registered the fifth consecutive months position touched a two-year high before closing at \$285.50 a tonne, up \$27.50 on the day and \$73.75 above last Wednesday's close. The cash position rose \$22.75 yesterday to \$280 a tonne.

Dealers attributed the rise to continued strong Japanese buying and speculation of speculative activity against a background of tight physical supplies in the US and Japan and a shortage of good quality metal. Most other base metals were also firmer, with cash Grade A copper recovering \$7.50 of Tuesday's \$50 fall. But zinc continued to relinquish some of its recent gains.

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## INDICES

REUTERS May 13, May 14th 1987 (Year to date)

1616.4 1616.0 1565.1 1779.3 (Base: September 18 1981=100)

DOW JONES May 13 May 14th 1987 (Year to date)

Spot 188.63/188.46 - 188.41 Put 189.78/189.59 - 189.37 (Base: December 31 1981=100)

MAIN PRICE CHANGES May 13 - 4 or Month

METALS May 13 - 4 or Month

Aluminium 1588000 +4.5 1600000

Copper 1588000 +4.5 1600000

Gold 1588000 +4.5 1600000

Grains 1588000 +4.5 1600000

Oil 1588000 +4.5 1600000

Other 1588000 +4.5 1600000

Platinum 1588000 +4.5 1600000

Silver 1588000 +4.5 1600000

Wheat 1588000 +4.5 1600000

Barley 1588000 +4.5 1600000

Maize 1588000 +4.5 1600000

Soybean 1588000 +4.5 1600000

Wheat 1588000 +4.5 1600000

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Soybean 1588000 +4.5 1600000

Wheat 1588000 +4.5 1600000

Barley 1588000 +4.5 1600000

Maize 1588000 +4.5 1600000

## US MARKETS

MIXED TRADE, local and commission house buying touched off steps in early trading as the gold, silver and platinum futures also

steadied, reports Draper Burnham Lambert. However, trade selling at the high prompted profit taking which also

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## GOLD 100 troy oz. \$/troy oz.

May 13 482.4 482.7 482.0 482.0

June 482.4 482.7 482.0 482.0

July 482.4 482.7 482.0 482.0

Aug 482.4 482.7 482.0 482.0

Sept 482.4 482.7 482.0 482.0

Oct 482.4 482.7 482.0 482.0

Nov 482.4 482.7 482.0 482.0

Dec 482.4 482.7 482.0 482.0

Jan 482.4 482.7 482.0 482.0

Feb 482.4 482.7 482.0 482.0

Mar 482.4 482.7 482.0 482.0

Apr 482.4 482.7 482.0 482.0

May 482.4 482.7 482.0 482.0

June 482.4 482.7 482.0 482.0

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Oct 482.4 482.7 482.0 482.0

## Indonesia seeks Pakistan tea boost

BY JOHN MURRAY BROWN IN JAKARTA



# CURRENCIES, MONEY & CAPITAL MARKETS

## FOREIGN EXCHANGES

### Dollar and pound firm

THE DOLLAR rose slightly in expectation of a narrowing of the US trade deficit today, but trading was quiet.

Another large US trade deficit has been forecast for March, but it is expected to be lower than the February deficit of \$15.1bn, probably in the region of \$12bn to \$14bn.

There was little reaction to news that Japan's trade surplus fell to \$7.57bn in April from \$8.06bn, while the surplus with the US rose to a record \$5.15bn.

Dealers were suspicious of the US trade deficit may be worse than expected after the Japanese Finance Ministry asked financial institutions in Tokyo to moderate speculation against the dollar. It was also suggested that the comment by Mr James Baker, US Treasury Secretary, that the Federal Reserve's credit policy is adequate, implied the US Administration does not want to see higher interest rates if the trade figures disappoint.

The dollar rose 1.7000 from DM 1.7880 to SF 1.4710 from SF 1.4670, and to Y139.70 from Y139.50, but eased to SF 5.9700 from SF 5.9750. On Bank of England figures the dollar's index rose to 100.4 from 100.1.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.7110. April average 1.6918. Exchange rate index rose 0.275, compared with 68.3 six months ago.

Sterling gained ground as nervousness about the June UK general election tended to fade. The pound is likely to remain volatile on public opinion polls in the run up to the election, and although underlying sentiment

was good the Bank of England was expected to prevent any rise in sterling's value above DM 3.00.

The pound gained 15 points to \$1.6710-1.6720, while climbing to DM 2.9925 from DM 2.9850; to FF 9.98 from FF 9.9775; to SF 2.48 from SF 2.47; and to Y139.50 from Y139.00.

D-MARK—Trading range against the dollar in 1987 is 1.6885 to 1.7110. April average 1.6918. Exchange rate index rose 0.275, compared with 68.3 six months ago.

The dollar rose against the D-Mark in Frankfurt, but trading was quiet, ahead of today's US trade figures. The dollar closed at DM 1.7840, compared with DM 1.7870, as the market shrugged off news that US retail sales rose only 0.1 per cent on April, compared with a revised 0.6 per cent in March. It was suggested the dollar would surge through a technical resistance point at DM 1.8000 today if the March US trade figures show an improvement.

Earlier in the day the Bundesbank did not intervene when the dollar was at DM 1.7850, compared with DM 1.7888 on Tuesday.

Sterling improved as investors built up long positions ahead of the UK general election, but dealers said the dollar was likely to come under renewed selling pressure today, unless there is an improvement in the US trade deficit for March.

#### EMS EUROPEAN CURRENCY UNIT RATES

|                   | Unit    | May 13  | % change from previous | % change from divergence | Divergence limit |
|-------------------|---------|---------|------------------------|--------------------------|------------------|
| Belgian Franc     | 42.4582 | 43.0927 | +1.49                  | +0.79                    | ± 1.2584         |
| French Franc      | 6.5595  | 6.5595  | 0.00                   | 0.00                     | 0.0000           |
| German Mark       | 2.3636  | 2.3636  | 0.00                   | 0.00                     | 0.0000           |
| Italian Lira      | 2036.26 | 2036.26 | 0.00                   | 0.00                     | 0.0000           |
| Spanish Peseta    | 166.639 | 166.639 | 0.00                   | 0.00                     | 0.0000           |
| Portuguese Escudo | 200.482 | 200.482 | 0.00                   | 0.00                     | 0.0000           |
| Irish Punt        | 7.8756  | 7.8756  | 0.00                   | 0.00                     | 0.0000           |
| Greek Drachma     | 340.750 | 340.750 | 0.00                   | 0.00                     | 0.0000           |
| Yugoslav Dinar    | 13.6373 | 13.6373 | 0.00                   | 0.00                     | 0.0000           |
| Czech Koruna      | 166.000 | 166.000 | 0.00                   | 0.00                     | 0.0000           |
| Slovak Koruna     | 100.000 | 100.000 | 0.00                   | 0.00                     | 0.0000           |
| Hungarian Forint  | 200.000 | 200.000 | 0.00                   | 0.00                     | 0.0000           |
| Rumanian Leu      | 10.000  | 10.000  | 0.00                   | 0.00                     | 0.0000           |
| Bulgarian Lev     | 100.000 | 100.000 | 0.00                   | 0.00                     | 0.0000           |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Forward Times.

#### POUND SPOT—FORWARD AGAINST THE POUND

|             | May 13        | Day's spread  | Close     | One month | Three months | %    |
|-------------|---------------|---------------|-----------|-----------|--------------|------|
| US          | 1.6640-1.6720 | 1.6710-1.6720 | 0.28-0.29 | 1.00      | 0.68-0.69    | 1.57 |
| Canada      | 2.2261-2.2275 | 2.2265-2.2275 | 0.25-0.26 | 1.07      | 0.43-0.44    | 1.64 |
| Switzerland | 1.33-1.34     | 1.33-1.34     | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.54 |
| Belgium     | 61.92-62.15   | 62.05-62.15   | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Denmark     | 11.25-11.28   | 11.27-11.28   | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| France      | 6.55-6.56     | 6.55-6.56     | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Germany     | 2.36-2.37     | 2.36-2.37     | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Italy       | 2036-2037     | 2036-2037     | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Spain       | 166.63-166.64 | 166.63-166.64 | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Portugal    | 200.48-200.49 | 200.48-200.49 | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Sweden      | 13.63-13.64   | 13.63-13.64   | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Norway      | 136.46-136.47 | 136.46-136.47 | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Finland     | 5.94-5.95     | 5.94-5.95     | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Japan       | 139.50-139.51 | 139.50-139.51 | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Australia   | 1.60-1.61     | 1.60-1.61     | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| New Zealand | 2.00-2.01     | 2.00-2.01     | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |

Belgian rate is for convertible francs. Financial time 62.30-62.40. Six-month forward dollar 1.00-0.95 at price 1.33-1.34, 1.35-1.36.

#### DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

|             | May 13        | Day's spread  | Close     | One month | Three months | %    |
|-------------|---------------|---------------|-----------|-----------|--------------|------|
| UK          | 1.6640-1.6720 | 1.6710-1.6720 | 0.28-0.29 | 1.00      | 0.68-0.69    | 1.57 |
| Canada      | 2.2261-2.2275 | 2.2265-2.2275 | 0.25-0.26 | 1.07      | 0.43-0.44    | 1.64 |
| Switzerland | 1.33-1.34     | 1.33-1.34     | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.54 |
| Belgium     | 61.92-62.15   | 62.05-62.15   | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Denmark     | 11.25-11.28   | 11.27-11.28   | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| France      | 6.55-6.56     | 6.55-6.56     | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Germany     | 2.36-2.37     | 2.36-2.37     | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Italy       | 2036-2037     | 2036-2037     | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Spain       | 166.63-166.64 | 166.63-166.64 | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Portugal    | 200.48-200.49 | 200.48-200.49 | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Sweden      | 13.63-13.64   | 13.63-13.64   | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Norway      | 136.46-136.47 | 136.46-136.47 | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Finland     | 5.94-5.95     | 5.94-5.95     | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Japan       | 139.50-139.51 | 139.50-139.51 | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| Australia   | 1.60-1.61     | 1.60-1.61     | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |
| New Zealand | 2.00-2.01     | 2.00-2.01     | 0.15-0.16 | 1.00      | 0.15-0.16    | 1.44 |

UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial time 37.30-37.40.

#### EURO CURRENCY INTEREST RATES

|                   | May 13 | Short | 7 Day | One Month | Three Months | Six Months | One Year |
|-------------------|--------|-------|-------|-----------|--------------|------------|----------|
| Sterling          | 8 1/8  | 8 1/8 | 8 1/8 | 8 1/8     | 8 1/8        | 8 1/8      | 8 1/8    |
| US Dollar         | 8 1/8  | 8 1/8 | 8 1/8 | 8 1/8     | 8 1/8        | 8 1/8      | 8 1/8    |
| Swiss Franc       | 8 1/8  | 8 1/8 | 8 1/8 | 8 1/8     | 8 1/8        | 8 1/8      | 8 1/8    |
| German Mark       | 8 1/8  | 8 1/8 | 8 1/8 | 8 1/8     | 8 1/8        | 8 1/8      | 8 1/8    |
| French Franc      | 8 1/8  | 8 1/8 | 8 1/8 | 8 1/8     | 8 1/8        | 8 1/8      | 8 1/8    |
| Italian Lira      | 8 1/8  | 8 1/8 | 8 1/8 | 8 1/8     | 8 1/8        | 8 1/8      | 8 1/8    |
| Spanish Peseta    | 8 1/8  | 8 1/8 | 8 1/8 | 8 1/8     | 8 1/8        | 8 1/8      | 8 1/8    |
| Portuguese Escudo | 8 1/8  | 8 1/8 | 8 1/8 | 8 1/8     | 8 1/8        | 8 1/8      | 8 1/8    |
| Yugoslav Dinar    | 8 1/8  | 8 1/8 | 8 1/8 | 8 1/8     | 8 1/8        | 8 1/8      | 8 1/8    |
| Czech Koruna      | 8 1/8  | 8 1/8 | 8 1/8 | 8 1/8     | 8 1/8        | 8 1/8      | 8 1/8    |
| Slovak Koruna     | 8 1/8  | 8 1/8 | 8 1/8 | 8 1/8     | 8 1/8        | 8 1/8      | 8 1/8    |
| Hungarian Forint  | 8 1/8  | 8 1/8 | 8 1/8 | 8 1/8     | 8 1/8        | 8 1/8      | 8 1/8    |
| Rumanian Leu      | 8 1/8  | 8 1/8 | 8 1/8 | 8 1/8     | 8 1/8        | 8 1/8      | 8 1/8    |
| Bulgarian Lev     | 8 1/8  | 8 1/8 | 8 1/8 | 8 1/8     | 8 1/8        | 8 1/8      | 8 1/8    |

Long-term Eurobonds: Two years 8 1/8, 3 1/2, 4 1/2, 5 1/2, 6 1/2, 7 1/2, 8 1/2, 9 1/2, 10 1/2, 11 1/2, 12 1/2, 13 1/2, 14 1/2, 15 1/2, 16 1/2, 17 1/2, 18 1/2, 19 1/2, 20 1/2, 21 1/2, 22 1/2, 23 1/2, 24 1/2, 25 1/2, 26 1/2, 27 1/2, 28 1/2, 29 1/2, 30 1/2, 31 1/2, 32 1/2, 33 1/2, 34 1/2, 35 1/2, 36 1/2, 37 1/2, 38 1/2, 39 1/2, 40 1/2, 41 1/2, 42 1/2, 43 1/2, 44 1/2, 45 1/2, 46 1/2, 47 1/2, 48 1/2, 49 1/2, 50 1/2, 51 1/2, 52 1/2, 53 1/2, 54 1/2, 55 1/2, 56 1/2, 57 1/2, 58 1/2, 59 1/2, 60 1/2, 61 1/2, 62 1/2, 63 1/2, 64 1/2, 65 1/2, 66 1/2, 67 1/2, 68 1/2, 69 1/2, 70 1/2, 71 1/2, 72 1/2, 73 1/2, 74 1/2, 75 1/2, 76 1/2, 77 1/2, 78 1/2, 79 1/2, 80 1/2, 81 1/2, 82 1/2, 83 1/2, 84 1/2, 85 1/2, 86 1/2, 87 1/2, 88 1/2, 89 1/2, 90 1/2, 91 1/2, 92 1/2, 93 1/2, 94 1/2, 95 1/2, 96 1/2, 97 1/2, 98 1/2, 99 1/2, 100 1/2, 101 1/2, 102 1/2, 103 1/2, 104 1/2, 105 1/2, 106 1/2, 107 1/2, 108 1/2, 109 1/2, 110 1/2, 111 1/2, 112 1/2, 113 1/2, 114 1/2, 115 1/2, 116 1/2, 117 1/2, 118 1/2, 119 1/2, 120 1/2, 121 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**ET UNIT TRUST INFORMATION SERVICE**

## AUTHORISED UNIT TRUSTS

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## BASE LENDING RATES

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|                  |   |                     |   |  |      |
|------------------|---|---------------------|---|--|------|
| C. Bank Montreal | 9 | Mack Western Ltd.   | 9 | 2,107,000+ remaining disburse-<br>ment   |      |
| Canada Permanent | 9 | Megopol & Sons Ltd. | 9 | 12 coll. ensures 63,000 and re-<br>44% gross. 9 Mortgage has re-<br>9 Demand deposit | 3.99 |
| Cayser Ltd.      | 9 | Midland Bank        | 9 | Mortgage 31.25%.   |      |

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A crossword puzzle grid is shown, consisting of a 10x10 array of squares. Some squares are black, and others are white. The white squares form a complex pattern that allows for the placement of words. The grid is numbered as follows:

- 1: Top-left corner (row 1, column 1)
- 2: Row 1, column 4
- 3: Row 1, column 7
- 4: Row 1, column 10
- 5: Row 2, column 1
- 6: Row 2, column 4
- 7: Row 2, column 7
- 8: Row 2, column 10
- 9: Row 3, column 1
- 10: Row 3, column 4
- 11: Row 3, column 7
- 12: Row 3, column 10
- 13: Row 4, column 1
- 14: Row 4, column 4
- 15: Row 4, column 7
- 16: Row 4, column 10
- 17: Row 5, column 1
- 18: Row 5, column 4
- 19: Row 5, column 7
- 20: Row 5, column 10
- 21: Row 6, column 1
- 22: Row 6, column 4
- 23: Row 6, column 7
- 24: Row 6, column 10
- 25: Row 7, column 1
- 26: Row 7, column 4

**ACROSS**

- 1 Kill mother to obtain estate (8)
- 4 Odds against wooden vessels producing electric discharges (8)
- 8 In time to criticise a Prince's perk (7)
- 9 Strange person goes to occasional dance (7)
- 11 Parked and put a line there (10)
- 12 Nick is caught with joint (4)
- 13 Fabulous bird turns soldier into dog (5)
- 14 Father makes two points on sex (8)
- 16 Discontinue meeting group, or change direction (8)
- 18 Unknown ship follows sailor into dog (5)
- 20 Take sail in dangerous submarine structure (4)
- 21 Fewer than half do take some form of insurance (5, 5)
- 23 Lift most of the secrecy (7)
- 24 Weariness caused by disturbance in bedroom (7)
- 25 One can obtain dry one from over there (8)
- 26 Interfere with state award (6)

**DOWN**

- 1 Took a lot of drink over to warehouse (5)
- 2 One has left to serve the Church (7)
- 3 Ring off due to nail, for

example, penetrating flesh (9)

- 5 Productive field for Irishman's temper (5)
- 6 Committed people have gone across to Polish symbol (7)
- 7 QC is given one cable to show quality of fabric (9)
- 10 Wanted to take on wicked desperado (8)
- 13 Complain over item recorded for woodwork (9)
- 15 Ambitious but badly organised (8)
- 17 Not what the chorus (7)
- 19 The point of annual accounting is indeed old-fashioned: RIP (4, 3)
- 21 It goes back to the tenth (5)
- 22 Team leader gets over-excited by valuable discovery (8)

**Solution to Puzzle No. 6325**

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فلا تروا







**ET UNIT TRUST INFORMATION SERVICE**[illegible]

هذه امة الاصل



# FT UNIT TRUST INFORMATION SERVICE

|   |  |   |  |
|---|--|---|--|
| <p><b>FT Unit Trust Information Service</b></p> <p>FT Unit Trust Information Service provides a comprehensive list of unit trusts available in the UK, including details on their investment objectives, performance, and management. The list is organized by investment type, such as Equity, Fixed Income, and Money Market.</p> | <p><b>Equity Unit Trusts</b></p> <p>These unit trusts invest primarily in shares. Examples include the FT Equity Fund, which aims to provide long-term capital growth, and the FT Growth Fund, which focuses on high-growth sectors.</p> | <p><b>Fixed Income Unit Trusts</b></p> <p>These unit trusts invest in bonds and other fixed-income securities. Examples include the FT Income Fund, which seeks to provide a steady stream of income, and the FT Bond Fund, which invests in a diversified portfolio of government and corporate bonds.</p> | <p><b>Money Market Unit Trusts</b></p> <p>These unit trusts invest in short-term money market instruments, such as Treasury bills and commercial paper. Examples include the FT Money Fund, which aims to provide a safe haven for investors seeking low risk and liquidity.</p> |
|---|--|---|--|

# LONDON SHARE SERVICE

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| <p><b>BRITISH FUNDS</b></p> <p>This section lists various British investment funds, including their names, investment objectives, and performance metrics. Examples include the British Equity Fund and the British Bond Fund.</p> | <p><b>BRITISH FUNDS—Contd</b></p> <p>This section continues the list of British investment funds, providing further details on their investment strategies and performance.</p> | <p><b>FOREIGN BONDS &amp; RAILS—Contd</b></p> <p>This section lists foreign investment funds, including those that invest in international equities, bonds, and infrastructure projects (rails). Examples include the International Growth Fund and the Global Bond Fund.</p> |
|--|---|---|

## Money Market Bank Accounts

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| <p><b>Money Market Bank Accounts</b></p> <p>This section provides a comparison of various money market bank accounts, detailing their interest rates, fees, and other features. Examples include the Money Market Plus account and the Money Market Select account.</p> | <p><b>Money Market Bank Accounts—Contd</b></p> <p>This section continues the comparison of money market bank accounts, providing further details on their terms and conditions.</p> |
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# LONDON SHARE SERVICE

## INSURANCES - Continued

| Stock | Price | Div | Yield |
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# Equities rebound in sluggish trading as Gilt-edged auction passes off smoothly

Stores made rapid progress at the outset, on renewed strong buying fuelled by hopes of further

drilled back 17 to 238 1/2 as some analysts took a cautious stance on prospects following the annual meeting. The absence of any news on Government aid for the new

**CHEMICALS (2),** Leigh Interests  
Schering AG. **INSURANCES (2)**  
Alexander & Alexander, Mara  
McLennan. **TRUSTS (1),** Japan Assn  
Warrants. **MINES (1),** Bond Corp.

|                |       |                  |    |
|----------------|-------|------------------|----|
| Hanson Truck   | 3,000 | 163 <sub>2</sub> | -1 |
| Harwick Side   | 2,000 | 904              | -7 |
| Hillsdown Higs | 3,100 | 285              | —  |
| ICI            | 1,700 | 214 <sub>2</sub> | —  |

|                      |       |     |    |
|----------------------|-------|-----|----|
| United Biscuits..... | 3,700 | 903 | -2 |
| Wellcome.....        | 1,500 | 429 | +5 |
| Whitebread "A".....  | 1,400 | 369 | -3 |
| Woodworth.....       | 399   | 857 | +7 |

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

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## NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]



## LAMEX COMPOSITE CLOSING PRICES

| Stock  | Div  | P/E  | 5   | 100s | High | Low | Close | Change | Stock  | Div | P/E  | 5  | 100s | High | Low | Close | Change | Stock    | Div | P/E | 5   | 100s | High | Low | Close | Change | Stock | Div | P/E | 5 | 100s | High | Low | Close | Change |
|--------|------|------|-----|------|------|-----|-------|--------|--------|-----|------|----|------|------|-----|-------|--------|----------|-----|-----|-----|------|------|-----|-------|--------|-------|-----|-----|---|------|------|-----|-------|--------|
| AT&T   | 1.20 | 40   | 14% | 14%  | 14%  | 14% | 14%   |        | DWIG   |     | 1350 | 51 | 5    | 51   | 51  | 51    |        | Instatly |     | 14  | 180 | 24   | 24   | 24  | 24    | 24     | +     | R   |     | R |      |      |     |       |        |
| Alcoa  |      | 1139 | 24% | 24%  | 24%  | 24% | 24%   |        | Damon  |     | 846  | 51 | 5    | 51   | 51  | 51    |        | Instatly |     | 35  | 12  | 32   | 32   | 32  | 32    | 32     | +     | R   |     | R |      |      |     |       |        |
| Alcan  |      | 187  | 37  | 37   | 37   | 37  | 37    |        | DeRaff |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
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| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   | 16  | 16    | 16     | +     | R   |     | R |      |      |     |       |        |
| AlcanW |      | 11   | 33  | 33   | 33   | 33  | 33    |        | Delmad |     | 5893 | 15 | 15   | 15   | 15  | 15    |        | Instatly |     | 25  | 113 | 16   | 16   |     |       |        |       |     |     |   |      |      |     |       |        |

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|  | B | B |  | CritGp | .38 | 8 | 48  | 12 <sub>7</sub> | 11 <sub>4</sub> | 12              | Gonzalez | .69 | 012 | 22   | 22              | 22 <sub>7</sub> | +1              | Mexico | 77     | 3724 | 10 <sub>1</sub> | d               | 9 <sub>1</sub>  | 10              | -  | 3 <sub>4</sub> |                |
|  |   |   |  | Cronus |     | 3 | 541 | 19              | 18 <sub>2</sub> | 19 <sub>4</sub> | Gottas   | .34 | 13  | 2053 | 29 <sub>4</sub> | 20 <sub>2</sub> | 20 <sub>2</sub> | +1     | Mexico | 77   | 3724            | 10 <sub>1</sub> | d               | 9 <sub>1</sub>  | 10 | -              | 3 <sub>4</sub> |
|  |   |   |  | CronTe |     |   | 843 | 207             | 20 <sub>1</sub> | 20 <sub>4</sub> | GouldP   | .76 | 20  | 189  | 10 <sub>1</sub> | 18 <sub>4</sub> | 18 <sub>4</sub> | +1     | Maxtra | 25   | 3355            | 29 <sub>2</sub> | 27 <sub>4</sub> | 29 <sub>2</sub> | +2 |                |                |

And ask Marianne Hohnen at Narvesch, 10 101 000000.

**Continued on Page 37**



# FINANCIAL TIMES

## WORLD STOCK MARKETS

### Trade anxiety weighs down bonds, stocks

#### WALL STREET

TAKING THEIR cue from lower bond prices, Wall Street stocks drifted in moderate and unsettled trading yesterday, writes *Roderick Gram* in New York.

Credit markets overlooked several positive news items yesterday and were pre-occupied instead with the merchandise trade deficit which will be released today. Bond prices fell about 1/4 of a point.

The Dow Jones industrial average closed up 7.08 points at 2,325.88. It had opened a few points above its previous close but fell back steadily in the face of weak bond markets. Once bonds pulled back from the day's lows, stocks managed small gains.

The Dow Jones transportation index rose 10.82 to a record 967.49 with the help of some strong airline stocks.

The broader market indices showed a similar pattern with the Standard & Poor's 500 index edging up 0.88 of a point to 293.98 and the New York and American Stock exchange composite indices adding 0.31 to 167.76 and 1.57 to 336.38 respectively. NYSE volume was moderate at 172.2m shares with declining issues outpacing those advancing by a ratio of eight-to-seven.

Among blue chips, Chevron was unchanged at \$58 3/4. Du Pont was up 1/4 to \$118. Eastman Kodak added 1/4 to \$81 1/4. IBM rose 1/4 to \$160 1/4. Merck fell 1/4 to \$153 and Procter and Gamble dropped 1/4 to \$92 1/4.

Alliege gained 1 1/4 to \$89 1/4 on trading of more than 6.7m shares, which made it the most active NYSE issue. As part of an aircraft sales deal, Boeing, up 1/4 to \$44 1/4, will inject \$700m into Alliege, parent of United Airlines. In exchange Boeing will receive notes convertible into between 14 and 16 per cent of Alliege's stock. This large shareholding in friendly hands could help Alliege, which has been the subject of takeover rumours, fend off hostile bids.

Texaco fell 1 1/4 to \$35 1/4. It has suspended quarterly dividends and observers feel an imminent settlement of its legal dispute with Pennzoil, down 3 1/4 to \$61 1/4, is becoming less likely.

Burlington Industries dipped 1/4 to \$65 1/4. Observers believe Mr Asher Edelman and Dominion Textile might raise their \$97 a share takeover bid for Burlington.

Woolworth added 1/4 to \$48 1/4 after reporting first quarter profits of 43 cents a share against 30 cents a year earlier, in line with retailers' trend of sharply rising profits.

Tiffany added 1/4 to \$22 1/4. The leading jewellery store, which went public nine days ago, reported first quarter net profits of 12 cents a share against a year earlier loss.

Among other retailers, Sears, Roebuck was up 1/4 to \$54. Dayton Hudson added 1/4 to \$43 1/4. Federated Department Stores fell 1/4 to \$44 1/4. Wal-Mart slipped 1/4 to \$37 1/4. J.C. Penney fell 1/4 to \$47 1/4 and The Limited gave up 1/4 to \$42.

Baxter Travenol fell 1/4 to \$23 1/4. The drugs group said earnings this year are likely to be at the low end of analysts' \$1.10 to \$1.25 estimates compared with \$1.70 last year.

Holly Sugar, a major beet sugar processor, gained 1 1/4 to \$10 1/4. A shareholder group led by Brookline Equities of New York called for a special shareholders meeting to elect directors who would "actively seek to maximise shareholder value."

In the credit markets, bond prices fell despite a number of positive factors such as a slightly stronger dollar, weaker than expected retail sales in April and generally higher prices for US Treasuries overnight abroad.

The price of the 8.75 per cent new benchmark Treasury long bond finished the day down 1/4 of a point at 100 1/4 yielding 8.71 per cent. At its worst during the day it had been down as much as 1/2 of a point.

The main factor on the markets' mind was the merchandise trade deficit for March which will be released this morning. Some improvement from the \$1.1bn deficit in February is expected but a median forecast of \$1.5bn.

#### CANADA

OIL AND non-precious metal stocks led Toronto prices marginally higher in busy trade, offsetting a fall in gold.

Imperial Oil class A picked up 1/4 to C\$74 1/4 and Texaco Canada climbed 1/4 to C\$37 1/4. Gulf moved 1/4 to C\$31 1/4 after reporting slightly higher first-quarter operating profit but lower net income.

Dome Petroleum fell 1/4 to C\$35 1/4. Montreal advanced in brisk trade. Vancouver also rose.

#### SOUTH AFRICA

A LATE REBOUND in the bullion price brought Johannesburg gold shares back from early falls to leave them slightly easier in a featureless session. Industrials continued their record-breaking surge.

Bellwether gold stock Vaal Reef's fell back R3.00 after Tuesday's

R7.00 rise to close at R438.00. Grootevlei fell 50 cents to R17.50. Mining financials and other mining shares closed mixed, with diamond stock De Beers dropping 40 cents to R40.25 but Rustenburg, the platinum stock, picking up 60 cents to close at R54.00.

Diana Smith examines the demise of a share trading curiosity

### Lisbon emerges from a sea of paper

LONG-AWAITED legislation finally approved by the Lisbon Government will literally lighten the burden of those involved in buying and selling securities.

No longer will processions of messengers be seen lugging stocks and bonds from a seller's to a buyer's bank every time a transaction occurs.

This laborious process was only a minor problem when the Lisbon stock market was doing between 1978 and 1985. But when a mixture of economic recovery and tax incentives revived interest in the exchange as an outlet for private and

institutional savings, brokers and banks found they could not keep up with the vast amounts of paper work. It sometimes took weeks for transactions to be sorted out.

Under the new legislation, a company's shares will stay in the bank of its choice. A simple computer entry will record stocks sold or bought on the seller's or buyer's stock market account at his bank.

The authorities hope the new system will also spell the end of another problem - speculation on the parallel market.

Small-time punters who once used the stock market as an alterna-

tive to casino gambling still play share prices, driving them to inextricable heights through private deals frequently made at an old downtown café not far from the exchange. As long as these private transactions do not take place on the exchange floor, they are not banned. Inside the stock exchange they are punishable by a prison term.

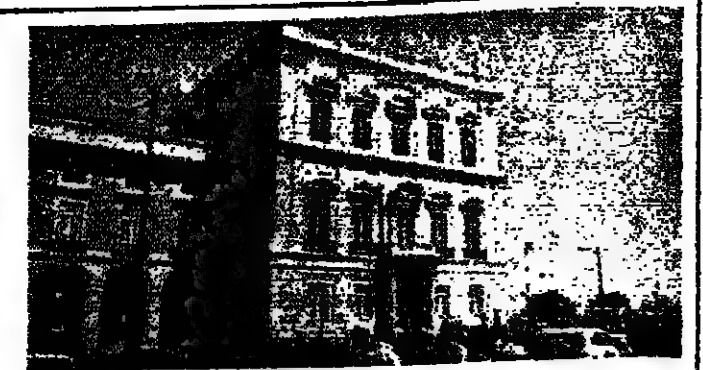
While a steady flow of institutional investors from Portugal and abroad has given the market strength and stability, the gamblers have offset the effect by sending some prices soaring into the stratosphere with no justification in the form of inspiring profits or takeover bids.

Confining shares to banks will deprive café dealers of their basic commodity - stocks in hand to sell or buy.

To encourage methodical investment, the Government has granted the increasingly successful unit trusts (mutual funds) a more flexible ratio between their capital and reserves and their portfolios. In future a unit trust with a portfolio of more than 15bn (\$108m) needs capital and reserves worth only 0.5 per cent of portfolio value rather

than 1 per cent as initially decreed.

As the number of unit trusts grows, pushing up the demand for good paper, so gradually does supply. The number of companies quot-



Lisbon stock exchange: weighty problem solved

ed on the exchange is now 48 and more are in the queue. Turnover of stocks and bonds rose to Es 30.9bn in the first four months of the year - 85 per cent of total 1986 turnover.

#### EUROPE

### Bayer's results cheer Frankfurt

MAJOR EUROPEAN bourses continued to shadow the dollar closely yesterday, ending firmer in line with its recovery against local currencies. Elsewhere, domestic political and economic considerations put a damper on trading.

Frankfurt picked up strongly as the market took a favourable look at chemical group Bayer's results and exporters benefited from the dollar's near one penny rise against the D-Mark. The Bundesbank's reduction in three-day treasury bill rates boosted banks.

The Commerzbank index gained 18.3 to 1,799.6, more than making up for Tuesday's losses. But most of the trading was done by professionals, with individual investors still hesitant about the course of the dollar.

Bayer, with first quarter profits up 3.2 per cent, gained DM 6.30 to DM 312.80 after climbing to DM 313.50. The company intends to list its shares in Tokyo from the autumn of 1988.

Also in chemicals, BASF added DM 6.80 to DM 282.80 in advance of its first quarter results today, and Hoechst, which was reported to have signed a joint marketing agreement with Astra of Sweden, was ahead by DM 3.60 to DM 264.50. Pharmaceutical Schering, which is launching a low-dosage contraceptive pill, added DM 8 to DM 530 after three days of heavy falls.

Metals processor Preussag was up DM 6.50 to DM 185; it announced it would pay no dividend after a sharp fall in 1986 parent company profits. Bonds eased on profit-taking in lacklustre trading although the cut in the securities repurchase pact rate helped to hold losses back. The Bundesbank sold DM 9.2m worth of paper after buying DM 87.3m on Tuesday.

Amsterdam was lifted by the dollar. Wall Street's early gains and hopes of lower domestic interest rates. Trading was quiet and dominated by the huge Philips share issue as foreign investors generally stayed away.

Philips share trading was suspended at Fl 48.50 for an hour before the announcement that the share issue price would be Fl 48.60.

or \$24 in the US. Philips then fell further to close at Fl 47.90, a loss on the day of Fl 1.40.

Among other internationals, Unilever was up Fl 1.50 to Fl 595 and Royal Dutch, due to announce first quarter results today, gained Fl 1.10 to Fl 257.10.

Sugar producer CSM was steady at Fl 80.20 before announcing a rise in first half profits. Zurich was also given some strength by the firmer dollar, finishing mixed to higher on selective buying. Financials performed best, with industrials mixed.

Among gains, Union Bank bearer rose Sfr 56 to Sfr 4,875 and insurer Winterthur bearer was up Sfr 75 to Sfr 6,375.

Paris was hit by a bout of profit-taking on fears that the April inflation figures will show a rise. Concern was also expressed about funds steadily being drawn away from existing stocks to new issues under the wide privatisation programme.

Geophysique was again a particular sufferer in the oil sector, following its Sfr 76 drop on Tuesday with a fall of Sfr 61 to Sfr 590. Brussels was mixed amid continued caution over the linguistic crisis threatening the Government.

Milan was lower in active trading on monthly settlement day, with industrial, holding and insurance blue chips most affected. Madrid rallied but then hit profit-taking which pared gains. Stockholm fell further. Pharmaceutical Astra, with higher first quarter profits,

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#### ASIA

### Ministry move prompts decline

#### TOKYO

THE FINANCE Ministry's request for restraints in foreign exchange trading caused share prices to fall in Tokyo yesterday, but the Nikkei average recovered much of the loss towards the close, writes *Shigeo Nishitoku* of Jiji Press.

Blue chips alone firmed amid the general market weakness, reflecting the yen's dip. The market indicator of 225 select issues was down 407.05 in mid-afternoon, but finished just 172.86 lower at 24,363.19. Volume was 1.13m shares against Tuesday's 1.2bn. Losers led gains 325 to 385, with 103 issues unchanged.

The Finance Ministry asked city banks, major securities houses and life insurance companies to refrain from speculative foreign exchange transactions in a bid to stabilise exchange rates. It also asked them to report details of their daily foreign exchange deals to the ministry.

The unusual move shocked the market. Investors speculated that the request might have stemmed from the possibility that the US March trade deficit, to be announced on Thursday, could exceed the projected \$15bn, and that the authorities' fears of a dollar free-fall have strengthened.

Buying interest was low as attention shifted to the low volume of \$4.81m shares for Nippon Steel, the day's busiest stock. The issue opened 1/4 higher, but lost 1/2 to 1/8 at one point, closing at 1/8, off 1/4.

Other large-capital stocks also fell under small-lot selling, with Kobe Steel dropping 1/2 to 1/8.

THAILAND's stock exchange set a record yesterday despite warnings from the market authorities about speculation. The Securities Exchange of Thailand index rose 0.52, to close at the new peak of 266.64. The previous record was 266.28 set in November 1978.

Nippon Kokei Y10 to Y337 and Ishikawajima-Harima Heavy Industries Y30 to Y393.

On the bond market, the yield on the 8.1 per cent government bond due in June 1986 temporarily scored another all-time low of 2.560 per cent, compared with the previous low of 2.640 per cent registered on Tuesday, on active buying by the dealing sections of big securities houses. But selling increased later and the yield rose to 2.670 per cent before closing at 2.580 per cent.

Investors sold another 8.1 per cent government bond, maturing in July 1986, whose yield dropped below 3 per cent for the first time on Tuesday. The yield rose sharply from 2.975 per cent to 3.040 per cent.

Strong oil and precious metal prices supported the market, but trade was moderate as dealers awaited the Government's economic statement after the close of trading.

In mining shares, North Flinders picked up A\$1.50 to A\$29.00 and Nguni added 40 cents to A\$13.00. Sons of Gwalia was A\$1 higher at A\$13.00.

Goodman Fielder fell back 13 cents to A\$4.82 after the New Zealand Commerce Commission's decision to block its merger with Wattie Industries.

Properties, which have led the recent bull run, were worst affected by share placement rumours and fell accordingly. World Development lost 60 cents to HK\$10.60. Hang Lung Development shed 30 cents to HK\$12.80 and Hong Kong Land 10 cents to HK\$8.30. Cheung Kong was 50 cents down at HK\$41.25.

In banks, Hang Seng added 25 cents to HK\$37.75.

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Properties,



## SECTION III

FINANCIAL TIMES  
SURVEY

**Strong central control  
has enabled South  
Korea to forge ahead  
economically and indus-**

**trially. A higher stan-**  
dard of living has brought with it a  
craving for greater political freedoms  
which the government of President  
Chun Doo Hwan has shrunk from offer-  
ing. **Maggie Ford reports.**

## The strains of success

SOUTH OF THE Han river, which divides Seoul much like the Thames in London, lies the suburb of Kangnam. Rows and rows of modern apartment blocks, indistinguishable except for the numbers painted on the side, remind the visitor of similar post-war construction on the outskirts of many European cities.

But these buildings do not house factory workers whose cottages were destroyed by bombs, but the elite of South Korea—the bureaucrats, company executives, academics and planners who have managed the development of the state.

Last year they, and the workers they employ, achieved record results—growth of 12.5 per cent, the first trade surplus in the country's history, and the first opportunity to start paying off the country's enormous foreign debt.

However, the year before, in the last opportunity South Koreans had to register their views in a ballot, the citizens of Kangnam delivered a crushing defeat to the government, a result possible only by engaging in tactical voting.

It is unlikely that they will have the chance to demonstrate

their strategic abilities again for some time. Last month, President Chun Doo Hwan, South Korea's leader, announced the postponement of moves towards democracy until after the Seoul Olympic Games in 1988. The country needs stability, not the uncertainty that political arguments cause, he said.

The attitude of the people of Kangnam reflects the central dilemma in South Korea today: how can a country which is progressing at extraordinary speed towards the level of a developed industrialised nation achieve a democratic political system reflecting the people's wishes?

The two sides of the equation are inextricably linked, for the more people attain the material benefits of a higher standard of living, the more they crave the freedoms that often go with it—freedom of information, freedom to travel abroad, and freedom to air their views without being penalised.

The system under which South Korea is run is based on efficiency and stability. It works by subjecting all sectors of the social, economic and political spectrum to planning and control in the interests of what is seen as the progress of the nation.



Electronic workers have helped to spearhead the country's remarkable growth: now they want to have their views heard.

In the economic sphere it has worked very successfully. Large companies have been guided towards investment and production policies which have backed up the export-led growth strategy, now beginning to pay off so handsomely.

Foreign debt, the fourth largest in the developing world, has been managed sensibly, without stimulating any of the problems that the Latin American countries have encountered.

Industry, with one or two exceptions such as construction and shipping, is leaping ahead. The success of value added products, such as cars and video tape recorders in foreign markets, is being followed by local innovation, especially in elec-

tronics, which augurs a bright future.

It is when uncontrollable forces, usually foreign, intervene that the system comes under its greatest strain. It was only a few months ago that South Korea's planners realised the danger that they were facing as a result of their economic success. As the US trade deficit widened and the trade row between Tokyo and Washington developed, policymakers in Seoul knew that they could not avoid the growing forces of protectionism.

At the same time, they were grappling with the problems the inflow of capital was causing for the internal economy. The stock market was booming unhealthily as speculators

moved in, exciting even more interest abroad, putting the money supply under pressure and sparking fears of a rise in the inflation rate.

To manage a surplus was clearly not the same as managing a deficit, the planners learnt.

The solution when it came was a dual-purpose one, dealing with both problems at once. A substantial part of the trade surplus would be spent on US imports, thus keeping the surplus down and taking the money out of the local economy for the time being.

Although this meant that Korea was even more tied into bilateral arrangements with the US, that could not be helped for the moment, the planners

decided. Efforts to diversify into other markets, such as Europe, would go ahead, albeit perhaps more slowly.

Meanwhile, a start may be made on rearranging the financial sector, which has been under very strong control for years. The state of the local banks, heavily indebted due to their use as instruments for dealing with companies which have essentially gone bankrupt, is so poor that analysts believe they will be revitalised only in the long term.

But decisions on the role of other institutions may come in the next year, along with firmer indications about the opening of the stock market to foreign investors. At present foreigners cannot hold stocks except via

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funds issued in Europe and the US and convertible bonds.

The introduction of free market forces in the financial sector is viewed very warily by the Ministry of Finance and foreign expectations may be too high about likely progress at present.

If the planners have managed to cope with the problems of economic success, albeit with some difficulty, it is far from clear how the system will deal with the political failure revealed last month.

This year was to have seen a free election following agreement between the ruling and opposition parties over revision of the constitution. Progress had been minimal, with the ruling party seeking to exploit factionalism within the opposition and neither side giving an inch over the system of government they favoured.

Eventually after the two main opposition leaders, Mr Kim Dae Jung and Mr Kim Young Sam, led their followers to form a new united opposition party, the President decided to call off the revision talks.

Protest over his decision is growing, among religious, academic, student and political groups, leading to further uncertainty about the country's political future over the next year or two.

Under the president's plan, an election will be held late this year under the old constitution to choose a replacement when he steps down at the end of his term next February.

The opposition plans to boycott this election, because it believes it has no chance of winning under the old rules. Such a decision would place the legitimacy of the presidential election in doubt.

Underpinning the political system and the power of the president are the military and security services and the police.

The latter suffered severe criticism earlier this year when it was revealed that a university student had died while under police torture. Although the government sacked the police chief and the Home Affairs Minister over the incident, the shock and resentment felt over the death has not dissipated.

The political attitude of the military, which derives its strength from the need to defend South Korea from its unpredictable and heavily armed neighbour to the north, is hard to judge. Although both

opposition and government leaders say that the Army wishes to maintain a professional role, uninvolved with politics, Western diplomats do not rule out the possibility of intervention.

Nevertheless, the army is likely to be fully occupied over the next 18 months on security duties before the Olympic Games. Political analysts believe that Pyongyang is perfectly capable of trying to disrupt the Games.

Although negotiations are continuing over the plan for North Korea to host some events, the possibility of a breakdown in the talks remains high. So far, North Korea's allies in the socialist bloc seem keen to attend the games, an attitude which diplomats believe may isolate Pyongyang even further.

South Korea, never ready to underestimate the threat from the north, remains well prepared with the help of the 40,000 US troops in the country.

The visitor to Seoul, however, does not gain the impression that South Korea is an armed camp. The level of development of the country, the well-dressed crowds, the shops and international hotels, and the beautifully landscaped gardens show a sense of pride in achievement. Above all, the visitor is likely to be impressed by the courtesy, friendliness and efficiency of the people.

South Koreans, being highly educated and increasingly mature people, are aware that one of the problems of democracy is that it can be a little messy. As one bureaucrat turned politician in the ruling party remarked: "I had always worked on the basis of efficiency. But when you have to take the people's views into account, it's a very different thing."

Many of South Korea's poorer groups may well feel that their standard of living is too low and the promise of prosperity too alluring for them to risk the instability that political confrontation might bring.

But if the feelings of the residents of Kangnam and others in South Korea's urban areas are any guide, this attitude may not last for long. For many of those who have attained the material comforts, and especially their student sons and daughters, a little untidiness seems a small price to pay for the opportunity of living in a free country.



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information transmitting microchips, from aerospace and automobiles to VCR's. By constantly expanding its range of expertise, Daewoo has reached the point that no manufacturing or technological challenge is too large or sophisticated for it to handle. Why not let all Daewoo has already done, help with all you've yet to do.



## SOUTH KOREA 2

## Foreign policy

## Inextricable links with North Korea

DANCING IN THE streets was followed by deep embarrassment in the Government late last year when it became clear that reports of the death of Kim Il Sung, leader of North Korea, had been greatly exaggerated.

Two days went by as the world waited for news of his fate, prematurely announced by the South on the basis of broadcasts by North Korean loudspeakers on the demilitarised zone which divides the two countries.

In Seoul, people celebrated well into the night over the apparent demise of the man blamed for the division of the country and the destruction and deaths as a result of the Korean war. Their hopes of a new future without the threatening strong man were soon dashed.

With carefully stage managed aplomb, he appeared at Pyongyang station to welcome the Mongolian leader on a state visit, local media at hand to record his evident good health and chalk up another propaganda victory for the North.

Theories abound to this day about what really happened. One school of thought has it that a revolt within the army aimed at his assassination had been announced before it was successful. Another suggests that it was an elaborate exercise in deception to embarrass South Korea and test its reaction in the event of President Kim's actual death.

A third believes that it was simply a series of mistakes, starting with someone mishearing the speakers—no tapes of the broadcasts have ever been issued—combined with wishful thinking on the part of Seoul.

Many believe it will remain a mystery forever, puzzling though, it may be, the incident illuminates the inextricable interlinking between the two countries—a linkage which dominates the way they see the world.

South Korean foreign policy



President Chun Doo Hwan (left) and his communist counterpart President Kim Il Sung.

has four main objectives:

- Maintaining security and stability on the peninsula in close cooperation with the US which has more than 40,000 troops in the country

- Promoting dialogue with North Korea in the eventual hope of peaceful reunification of the two countries

- Establishing friendly relationships and diplomatic ties with more third world countries

- Developing normal relations with socialist countries such as the Soviet Union, Eastern Europe and China.

The two countries have been engaged in a competition for influence in the world ever since the end of the Korean

War. Neither is a member of the United Nations although South Korea has applied several times. The Soviet Union and China have exercised their veto in line with North Korean policy that separate membership would simply perpetuate the divided nation.

The South is generally thought to have won the battle for diplomatic influence, although some of the countries with which it has relations could not be described as major players on the world stage.

Perhaps its major success has been establishing better ties with China. Although there are no formal diplomatic ties, trade links are substantial and growing, while sporting links are

flourishing. China sent a large contingent to the Asian games late last year and is expected to participate fully in the Olympics.

Indications so far suggest that the Soviet Union and Eastern European countries are also keen to take part. Negotiations are continuing with the international Olympic committee in Switzerland over the role North Korea might play in the Olympics.

The North has been offered four events, including a cycle race which would involve competitors crossing the border between the two countries at Panmunjom, the truce village in the demilitarised zone. It is deman-

ding more events, which the South refuses, and further talks are to be held in July.

One major problem for the North is to influx of athletes, officials and journalists who will have to be admitted to the country under Olympic rules. North Korea is extremely wary about allowing anyone other than friendly visitors, usually from socialist countries to travel to Pyongyang.

Visitors from the North report that a number of sporting facilities are being built there, but point out that the North is due to hold a large international youth festival in 1988, so the stadiums would be needed anyway.

Dialogue outside the Olympic context remains at a stalemate. Letters have been exchanged over the past few months by both sides, proposing various formulae for meetings, so far without agreement.

North Korea called off talks last year which had led to the first exchanges of visits to reunite separated families since the Korean War. Pyongyang claimed that the annual military exercise held with the US forces threatened the peninsula's security. South Korean officials are neither optimistic nor pessimistic that dialogue can be restarted.

Their eventual aim is cross-recognition, under which the US and Europe would recognise North Korea and the Soviet Union and China would establish relations with the South.

The advent of Mr Mikhail Gorbachev's apparently more liberal role in Moscow and closer relations between the South and Peking may give cause for hope in the long term.

But one problem remains—the unpredictable Kim Il Sung. Until he dies or is replaced the people of South Korea will remain on their guard.

Maggie Ford



Supporters of Kim Dae Jung surround his car at an anti-government protest in Seoul.

## Politics

## Democracy delayed

IT WAS nine o'clock in the morning on April 13. Every TV set and radio in the country was switched on to listen to President Chun Doo Hwan. Rumours had been spreading all weekend that the time for a grave decision had arrived.

A wave of depression settled over the nation after the 45-minute speech had been delivered. The President had decided that talks on a revision of South Korea's constitution were to be postponed until after the Seoul Olympic Games in 1988.

Effectively, he had told South Koreans that their hopes for democracy would not be realised for perhaps another two years. After a year of talks between the opposition and the ruling Democratic Justice Party which had been bogged down in deadlock for months, the President had had enough.

The country could not place its economic development and its successful staging of the Games at risk by allowing a period of uncertainty to go on forever, he said. It was more important for the nation to proceed with a transfer of power next February when the President is due to step down at the end of his seven-year term.

President Chun, who came to power in a military coup in 1979 after the assassination of his predecessor, President Park Chung Hee, is widely believed to be sincere in his wish to accomplish the first peaceful transfer of power in South Korea's history.

Political debate has focused on how this is to be done and who is to be the recipient of the power. For a year the country's two main opposition leaders, Kim Dae Jung and Kim Young Sam, have stuck by their demand for a direct presidential election, against the ruling party's proposal for a cabinet system of government.

Neither side was prepared to give ground. Attempts by a minority of opposition members to promote talks on democratisation measures, eagerly grasped by the ruling party, eventually so irritated the two Kims that they broke away from the main new Korea Democratic Party last month and formed a new party.

Mr Kim Dae Jung has called for widespread non-violent protest against the President's decision, and so far a number of groups seem to be responding to his plea. The strength of the people's will to push for change remains, however, a matter of conjecture.

While Western diplomats, opposition leaders and even members of the Government agree that the desire for democracy is very strong, most people believe that South Koreans do not favour revolution, especially involving violence. Relative prosperity, hard won by their own efforts should not be put at risk by violence and

chaos, they believe. Support for stability is strongest among the working classes, analysts believe, since they still have much to gain from the country's growing economy. But those in the middle classes, especially in urban areas, who already have access to good incomes, housing and education and jobs are more conscious of their lack of freedom. Women, especially, were shocked by the revelation earlier this year that a university student had been killed while under police torture.

Almost all middle class women will have student sons and daughters—this could happen to anyone, they thought.

Increasingly affluent middle class people are also irritated by restrictions on overseas travel (available only to over-50s) by the pervasive intelligence and security network, which in the process of rooting out North Korean spies often has an effect on people's daily lives, and by the system of control which affects free access to good jobs, schools and universities.

It is this group which so strongly supported the opposition in the 1985 elections, in some cases by tactical voting to get around the unfair electoral system.

Analysts believe that in South Korea the political reality is a negative one—that people do not so much vote for the opposition as against the government although the judgment cannot really be tested until Mr Kim Dae Jung, the country's most charismatic politician, is allowed to speak in public and campaign openly. It still spells bad news for the ruling camp, which must view any free vote with trepidation.

The unknown quantity remains the attitude of the military and intelligence groups. Western diplomats believe that President Chun does not consult the army before taking decisions and that officers are keen to remain in a professional role.

Opposition leaders also believe that the voices of the military's student children have been heard, and that the army agrees with the general support in the middle classes for democracy.

But it is impossible to be sure. Eighteen months before the Olympic Games, the way forward for South Korea looks more uncertain than it has for some time.

It is the emergence of the more hard-line United Party for Reunification and Democracy (URDP) that appears to have sparked off President Chun's "grave decision." But it is by no means clear that his attempt to guarantee stability and calm over this crucial period in the country's history will be successful.

Opposition to the decision has already started to grow, led by

the Catholic Church. Cardinal Kim Sou Hwan, who is not known for his radicalism, said that the people's hopes for democracy had been shattered too often. Priests and nuns have demonstrated against the decision and traditional leadership groups in a Confucian society such as academics, writers and students have raised their voices in complaint.

The President's decision has made life even more difficult for the ruling Democratic Justice Party in its efforts to develop a credible democratic image capable of winning votes in a free election.

It will now have to stand a candidate in a presidential election under the old constitution later this year. This poll, in which an electoral college of about 5,000 people will choose the new president, is likely to be boycotted by the opposition on the grounds that the electoral system means the Government is certain to win.

Analysts believe that the winner of the election will have the same problem of legitimacy as the present rulers of the country. The DJP's favoured candidate is Mr Roh Tae Woo, chairman of the party and himself a former general. Nobody in South Korea is yet certain, however, whether or not Mr Roh will in the end take the reins of the presidency.

Mr Chun did offer one small crumb to Democrats in his speech—the offer of local elections in the near future. South Korea has no local councils, its provincial officials are appointed by the Government in Seoul. This is one reason for the insistence by opposition leaders on a direct presidential vote, where opportunities for undue influence by local officials are less pronounced.

But arguments between the Government and the ruling party over the timing and breadth of local autonomy to be introduced show no signs of being resolved. The opposition has said it will take part in any elections run under a fair system—not least because it is confident it can win.

That confidence is based on history. In an election in 1985 for the National Assembly the opposition parties won well over 50 per cent of the vote although the gerrymandered electoral system meant that the ruling party gained a majority of seats in the parliament.

The strategy of the newly formed RDP is not yet fully clear.

Mr Kim Young Sam, effective leader of the party while Mr Kim Dae Jung remains under house arrest, has called for a return to negotiations on constitutional revision, the release of political detainees, who now number about 2,000, the restoration of his colleague's civil rights and progress on human rights and other democratic freedoms.

Maggie Ford

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## SOUTH KOREA 3

## The threat from the Communist Government of Kim Il Sung in the North remains very real, analysts believe



An American GI controls traffic at the approach to the Freedom Bridge which leads to the Korean Joint Security Area at Panmunjom.

## Widening gap adds to tension

THE ACTIVITIES of the US ambassador attract enormous attention in South Korea. Every luncheon meeting with a politician, every utterance on any subject—military, strategic or political—is faithfully reported in the press.

The intense interest is caused by the general belief held in the country that the US Government has influence over the players on the South Korean political and military stage and that it uses that influence for its own purposes.

The charge is denied by the Americans. But whichever way you look at it, the relationship between the US and South Korean Governments is always going to be a key one, for Seoul depends on the US for its very existence. At the same time, South Korea is an integral part of America's defence strategy in the Pacific Ocean.

At present the US has 41,000 troops in the country bolstering the military armistice signed at the end of the Korean war in 1953. The US fought in that war as part of a unified United Nations command. The war has never been formally ended in a peace agreement and to this day around 500,000 troops face each

other across the demilitarised zone which divides Korea into North and South.

The threat from the Communist Government of Kim Il Sung in the North remains very real, analysts believe. In the next few years, it could become even stronger as the North faces the prospect of the South gaining military parity without the help of the US, while its own equipment, mainly supplied by the Soviet Union, starts to become obsolete.

Some government policymakers believe that a particularly tense period may be looming. They point to the problem of succession in North Korea, where Kim Il Sung plans to turn over power to his son, Kim Jong Il, the first dynastic transfer of power in the Communist world. It is not clear, they maintain, that the North Korean military supports this plan, and the possibility of internal dissent leading to instability cannot be discounted.

Western observers also believe that the possibility of a triumph for the South at the 1988 Seoul Olympic games could spark efforts at disruption by North Korea if negotiations over their participation fail.

For the Americans, however, peace and stability on the peninsula is part of a far larger strategy. It is not South Korea's fault, one official observed, that the country is situated at the point where three great powers—the Soviet Union, China and Japan—meet, or that it is in the sphere of influence of the fourth. But the reality means that the fate of the country can probably never be entirely in its own hands.

US planners see South Korea as an integral part of a defensive rim grouping Japan, Taiwan, the Philippines, Australia, New Zealand and the Pacific Islands. Until US efforts to persuade Japan to increase spending on its own defence are successful, South Korea will remain an important military stronghold just as the US air force and naval installations in the Philippines are.

Meanwhile, defence strategists in South Korea remain at odds over the role of China and the intentions of the Soviet Union. For years the ally of Pyongyang, China has recently responded to South Korean efforts to develop links mainly in the economic area. It has also replied to US

suggestions that it use its best efforts to persuade the North to be reasonable about the Olympic Games negotiations. The result of these links according to some defence analysts has been to drive Pyongyang closer to Moscow, which in turn has stepped up its arms supplies to the North.

Some analysts see this trend as dangerous, possibly upsetting the stability that has brought peace to the peninsula over the past 34 years. Others believe that it is simply an example of further Soviet expansion in the Pacific, entirely to be expected.

North Korea could provide a link between the Soviet bases in Vladivostok and Sakhalin Island and its facilities in Cam Ranh Bay in Vietnam. They say, citing Moscow's interest in concluding fishing agreements with small Pacific nations as evidence of Soviet ambitions for more influence.

Other analysts believe that following the speech by Mikhail Gorbachev, the Soviet leader, in Vladivostok last year, the country is mainly interested in having a say in a region where it perceives the US to have a growing involvement. The drive towards economic reform in the Soviet Union has meant a diminishing interest in

expansion, they believe.

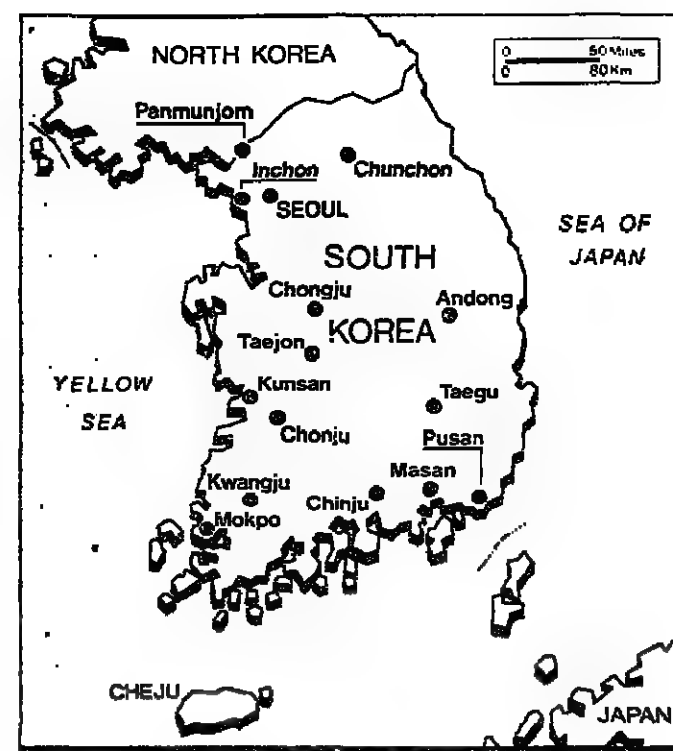
American analysts feel that links between China and South Korea are in everyone's interest and see no seriously destabilising movements in the region at present. Only the "deeply disturbing" regime in North Korea, where military spending continues apace gives cause for concern.

For some of the people of South Korea, the threat from the north is receding as an issue. The younger generation does not remember the destruction and bitterness of the Korean war. Government use of the security situation as a propaganda weapon has blunted the public realisation of the potential danger, some strategists believe.

As the people's thoughts turn more and more to democratic reform, so their gratitude for the US contribution towards the country's security gets entangled in resentment that the US is not doing enough to promote change.

US officials have repeated endlessly that it is inappropriate for Washington to interfere in internal politics, but their view remains that stability on the peninsula is linked to political stability inside South Korea.

Maggie Ford



Panmunjom

## Tourists and propaganda

PANMUNJOM on the border between North and South Korea is an eerie place where the cruel world of George Smiley comes startlingly alive. Located less than 30 miles from Seoul it is also a bizarre and popular tourist destination.

Some 2,000 people a day visit the demilitarised zone immediately to the North of the South Korean capital. Most of them are selected groups of South Koreans on government sponsored "social education" programmes. They are shepherded around in sleek South Korean buses and end up at a special conference hall high up above the Sacheon river valley where they are lectured by soldiers on the menace in the North as they peer through plate glass windows at an invisible border they will never cross.

Foreigners (who must register for the special Panmunjom tours 48 hours in advance) can get to see much more. They are taken by US soldiers of the UN Command Support Group right into Panmunjom itself.

A farming village that was destroyed in the war, Panmunjom straddles the military demarcation line that divides the two Koreas and is now the location for the daily and still hostile talks that are needed to

administer an armistice that goes back almost 35 years.

The demarcation line passes plumb through the centre of the blue-painted huts that are used for these talks. The main conference table is placed on the line itself. Microphone wires follow it precisely down the middle of the table until they reach the edge.

Outside the buildings the line continues to be marked in special concrete slabs, eventually petering out into a series of metre-high white posts.

There is no physical barrier here, but that only serves to make the tension even more palpable. During the two-kilometre bus ride through the demilitarised zone to Panmunjom visitors are requested not to smoke or make any other arm gestures that might provoke an incident.

As they survey the scene from the upper storey of the so-called Peace Pagoda, unsmiling North Korean guards stare back through binoculars from a concrete pavilion only yards away (though imposing in facade this building is reportedly only 13 ft deep).

Silence reigns except for the crackly and monotonous sound of North Korean propaganda

blaring out through loudspeakers across the valley.

It is a place both tragic and absurd. So intense is the wrangling between the two sides that complex negotiations have even been needed over the size of the small flags that adorn the conference table.

The North Korean flag is on a taller spike; the UN flag spike has a broader tip. Yet it is impossible to forget that people have been killed here since the armistice was signed.

Still clearly visible is the point where two US soldiers were axed to death by North Korean guards during a tree-cutting operation in 1976. A little further on is the Bridge of No Return across which the two Koreas exchanged prisoners of war into indefinite separation after the armistice was signed.

No one crosses the bridge now and apart from the North Korean Propaganda Village and the small South Korean farming community of Taesong-Dong, the 4,000-metre wide demilitarised zone is deserted. Amid the human desolation wildlife has flourished. Above it all the endangered Manchurian Crane flies free.

Peter Montagnon

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## SOUTH KOREA 4

The turnaround in the balance of payments has been sudden and unexpected

## Lending risk evaporates as the Government pays back early

LOOKED AT purely from the standpoint of its current economic performance, South Korea is yet another country that international bankers have got all wrong.

While they were busy reducing the margins charged to other Asian borrowers like Indonesia and Malaysia to levels of 3 per cent or even below, they continued to charge a premium on Korean loans. Even last year Korea was still indicating a willingness to borrow at the expensive US prime rate or at average margins in excess of 1/2 per cent over Libor.

Now that extra risk that bankers thought they perceived in Korea has largely evaporated. Though its debt at the end of last year of \$44.5bn is the fourth largest in the developing world (after Brazil, Mexico and Argentina) Korea has found the resources to start paying it back ahead of schedule.

It would be wrong, however, to lay the blame for overcharging Korea on its foreign borrowing entirely at the door of the international banking community. The turnaround in Korea's balance of payments which has allowed debt repayments to begin was sudden and unexpected even by the Korean Government itself.

Last year Korea enjoyed a current account surplus (of \$4.6bn) for the first time since 1976. It was helped by the change combination of falling oil prices, low interest rates and an undervalued currency which helped export earnings.

To a large degree all of them were factors outside Korea's own control since the exchange rate advantage was basically a function of the collapse of the

dollar against the Yen which has allowed Korea to displace Japanese exports in overseas markets.

At this point it becomes possible to see the high interest margins Korea has traditionally paid in a more reasonable perspective. Not only was Korea a heavy borrower with a high proportion of short-term debt, it also remains vulnerable even now to swings in the world economy.

On top of that is a strong element of political risk as well as worries about certain specific economic sectors—basically banking, shipbuilding and construction—which are notoriously weak and overborrowed and whose collapse could jeopardise the country's standing on international financial markets.

Foreign bankers in Seoul say that one factor behind the high margins which Korea traditionally paid was the Government's own desire to keep them happy. "We traded on the belief that the Koreans needed us," says Mr Alan Plumb, Director of Standard Chartered Asia.

Korea's willingness to play along reveals a cautious approach to debt management which continues even though the basic economic situation has turned around.

There are basically three choices for a country like Korea which suddenly faces an economic windfall. An irresponsible one which was adopted by Mexico during the oil bonanza of the late 1970s is to use the enhanced credit rating to borrow more and stoke up the domestic economy.

With a growth rate last year of 12.3 per cent Korea hardly needs to follow this route. Nor,

so far, has it followed a second possibility—that of systematically renegotiating existing debt to achieve lower margins and longer maturities along the lines followed by other countries ranging from Sweden to Portugal.

Though some loans have been refinanced at lower rates, Korea has preferred to adopt the third route—that of simply paying its lenders back.

According to Mr Hong Jae-Hyung, Assistant Finance Minister, Korea originally expected to reduce its foreign debt to \$41.8bn during 1987, but the current account of the balance of payments has turned out better than expected, registering a surplus of some \$2bn in the first quarter alone, so repayments will be speeded up to bring the debt down to \$39.9bn by the end of the year.

With the short-term debt now hovering around the \$9bn mark which is needed to finance Korea's large foreign trade there is not much room for further reductions in this category. Nor is it easy for the Government to persuade the private sector to repay its foreign debt, so the bulk of the repayments will come out of the stock of medium-term public sector debt.

Eventually, Mr Hong says, foreign debt should stabilise at around \$30bn made up of roughly equal components of short-term borrowing, official loans and medium-term borrowing on commercial markets.

In the process it seems likely that a fair amount of debt will be refinanced even if this is not being done yet in any systematic way. One major loan that has been completed this year was a

\$500m credit for Korea Exchange Bank (KEB), one of South Korea's flagship borrowers.

This is a seven-year credit which carries interest at a margin of 1/4 per cent over Libor for the first year rising to 3/4 per cent for the next six. The terms marked a renegotiation of a deal launched last year and then withdrawn from the market which comprised a \$375m tranche at a split 1/2-1/2 per cent margin and a \$125m tranche at US prime.

KEB will use the proceeds to help pay back a \$650m credit arranged in 1984. Along the way it will benefit from a substantial reduction in borrowing costs even taking into account the fee it paid on the deal. But the process of debt repayment is not without a degree of pain for Korea and its economy.

In the first place, international interest rates are much lower than those in the domestic market which range around 13 to 14 per cent. Switching borrowing to the domestic market therefore means additional costs.

Bankers reckon that KEB is reasonably liquid, but this is not the case with Korea Development Bank, the country's other flagship borrower, which is expected to have more difficulty meeting its debt repayment targets.

Moreover, the debt repayment has caused difficulties in the domestic market for the monetary policy. Central bank purchases of foreign debt have swollen the supply of Won in the local money market and money supply is growing at a relatively fast

pace. To offset this the central bank has been placing monetary stabilisation paper with the local financial system in an effort to absorb liquidity. Altogether money supply policy has had to be kept on the tight side as a result of the debt repayment and this added to the strain in over-borrowed companies in Korea's sharply growing economy.

Meanwhile, foreign banks seem to have entered a new and uncertain relationship with their Korean private sector customers. In essence their worry is that the Government will decide it no longer needs to curtail its borrowing and that the trade surplus is well established. That will make the authorities less willing to bail out private sector companies which get into trouble and have large foreign debts.

A case in point is Korea Shipbuilding and Engineering Corporation which filed for bankruptcy earlier this year and has foreign debts of some \$65m. Though the Government has stated its firm determination to secure the company's survival it has not yet explained how far it will go in ensuring that the foreign debt remains intact and tough negotiations are looming between the banks and the authorities.

If they fail, bankers believe that besides their immediate losses they will face a ripple effect as other over-gearred companies also face difficulty meeting their obligations. In the longer run, they believe that South Korea's traditional policy of cautious treatment for foreign creditors will win the day.

Peter Montagnon



Refrigerator production: export performance continues to be strong.

### Trade

## Coping with surplus

KOREA'S SUDDEN emergence as a nation with a surplus on its visible trade has forced a major rethink of economic policy in a country long used to the financing of deficits as a main preoccupation.

Last year's surplus of \$4.2bn was the first in the country's history. With export performance continuing strong in 1987, economic planners are switching their attention away from the question of avoiding the mistakes made by other large international debtors. Instead, they have begun to worry about how to cope better with a structural trade surplus than their southern neighbour, Japan.

The first indication of the degree of potential change that this involved came with a series of economic measures launched in mid-April which were primarily designed to control the growth of the trade surplus. The Government announced that "the growing trade surplus is not only unsustainable but also counterproductive for Korea's long term economic development. It would produce an excessive bias in the economy towards export-related investment."

To counter this the Government said it would step up infrastructure spending to improve domestic living standards, restrict credit to exporters while making it more readily available to importers and accelerate the pace at which import barriers are being lifted.

The measures were given a warm welcome by Mr Malcolm Baldrige, US Commerce Secretary, who visited Seoul shortly after they were announced. He said they were "an important step in the right direction for the Korean Government to take. This country can't go on growing indefinitely by exports alone."

The actual implementation of such a fundamental economic change is none the less a matter fraught with difficulties. On the one hand Korea faces an urgent need to appease protectionist sentiment in the US Congress.

On the other, it remains vulnerable to a turnaround in the external economic factors—low oil prices, low international interest rates and the low value of the dollar against the Yen—which played a major part in bringing about last year's surplus.

Indeed, there are still lingering doubts in Seoul about how durable the surplus really is. Korea's export success could easily be snuffed out by an intensification of protectionist pressure in the US which took some 40 per cent of its \$24bn exports last year.

It is also vulnerable to any fresh realignment of major exchange rates which would make its price-sensitive

exports of textiles, electronics and footwear, less cost-competitive.

Slowly, however, the Government is coming round to the view that the surplus is here to stay. "Our economy has entered the stage of permanent surplus on current account," says Mr Park Unshu, Director General of the Trade Ministry's Bureau of International Trade Promotion, but the adds, "we don't want to accumulate a huge surplus like our neighbour, Japan."

Korean officials say they have no desire to pile up large foreign exchange reserves as a result of the surplus, but at the same time they also point to the need for Korea to lower some of its foreign debt, which totalled \$44.5bn at the end of last year. It is the fourth largest in the developing world.

| Foreign trade (in \$bn) |      |       |      |
|-------------------------|------|-------|------|
|                         | 1984 | 1985  | 1986 |
| Exports                 | 26.3 | 26.4  | 33.9 |
| Imports                 | 27.4 | 26.5  | 29.7 |
| Trade balance           | -1.0 | -0.02 | 4.2  |
| Current account balance | -1.4 | -0.9  | 4.6  |

NI: Figures may not add due to rounding  
Source: Bank of Korea

For this reason they are targeting a moderate surplus for the next few years. This year the plan is to hold the current account surplus to around \$5bn and to limit the growth of the trade surplus with the US which totalled \$7.2bn last year and could grow as high as \$12bn in 1987 without special corrective action.

The most significant step it has taken in this direction has been the announcement in connection with the mid-April measures that the government will make available \$2.5bn from its foreign exchange reserves to finance the import of capital goods by business. Later it also announced a long "shopping list" covering \$2.6bn in extra goods Korea is expected to buy from the US this year.

One hope is that these purchases will reduce Korea's imports from Japan with whom it ran a deficit of \$5.3bn in 1986, but it remains to be seen what impact the measures will actually have on bilateral trade relations with the US. Korea would like to hold its surplus to no more than \$5bn in 1987, according to Mr Park of the Trade Ministry.

At the same time Korea is moving towards a faster removal of import barriers. According to Mr Park 40 per cent of import items were on the restricted list in 1980. By July this year the proportion will be down to 6.5 per cent and it will drop below 5 per cent in 1988. Similarly Korea is moving to

reduce its very high tariff structure on items that can be imported. The average tariff rate is currently 18 per cent but will be reduced to 17 per cent by 1988.

Korea prefers this carefully managed and orchestrated approach to a more rapid appreciation of its currency, the Won, which would hurt exporters hard and would also exacerbate the problem of its deficit with Japan. But in practical terms its effect has been slow to take hold.

Not only are Koreans an intensely patriotic people who are little inclined to purchase foreign goods. They are also frugal and inclined to save rather than to spend, which puts expensive imported goods at a disadvantage in Korea's domestic market place.

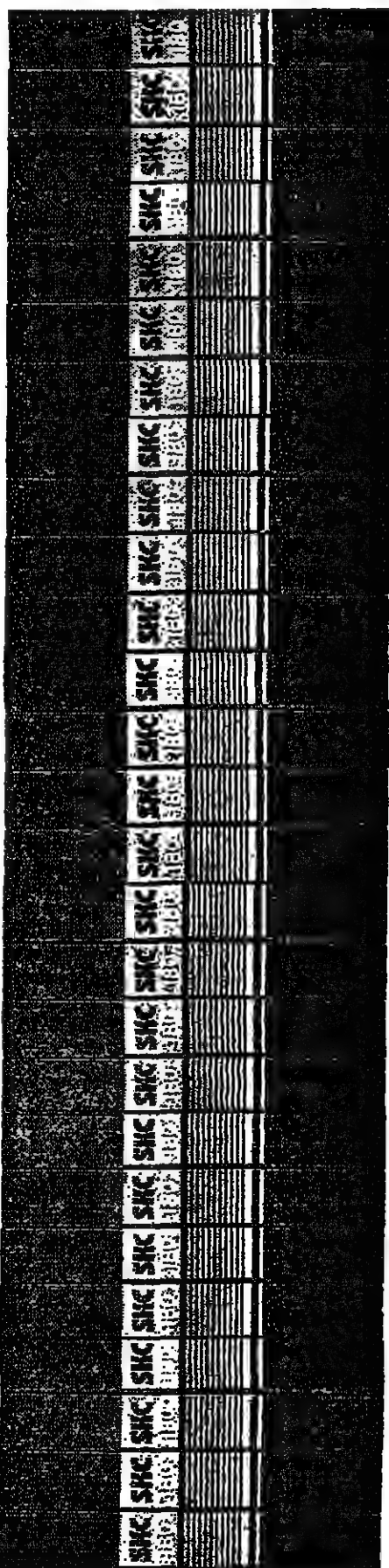
Liberalisation last year of the import of foreign cigarettes has had little impact on the market, partly because they are still priced at nearly three times the price of local brands. Luxury cars with cylinder capacity in excess of 2,000 cc may be imported from this July, but because of a combination of high tariffs and taxes they will cost some three times their price in home markets. Import of foreign wines is also to be liberalised from July 1 but the tariff will be set at an exorbitant 100 per cent.

For Koreans this approach is an understandable method of buying more time and delaying the impact of the import liberalisation on which they say they are determined to embark. Mr Park says West Germany should be a true role model for Korea rather than Japan because of its balanced economy and liberal approach to trade. Yet for all the warmth of Mr Baldrige's words the risk is that import barriers will continue to aggravate trading partners.

The risk is that not only change may be too slow to prevent protectionist retaliation from the US; it is also that preoccupation with ad hoc moves to satisfy Washington may obscure the broader need for economic reform which could transform Korea's present export success into a truly modern, developed economy.

Peter Montagnon

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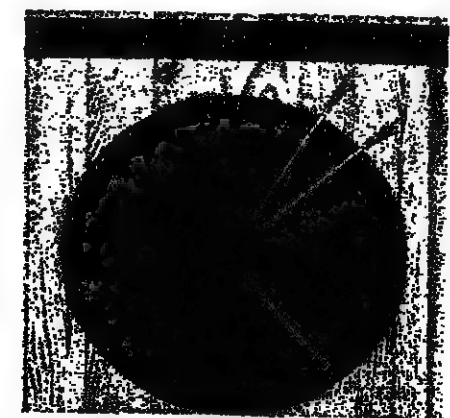
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## SOUTH KOREA 5

## Banking

## Overhaul will loosen controls

SOUTH KOREA'S banking system is set for a major overhaul as the Government prepares, in response to growing international pressure, to liberalise the country's tightly controlled financial services industry.

South Korea is one of the few countries—France is another—in which large commercial banks have in the past been tools of government policy rather than powers in their own right.

In Korea's case, the banks have served two main purposes—aggressively financing the country's rapid industrial expansion, and keeping a watchful eye for the Government on the big conglomerates. If, along the way, these purposes have meant that the banks could earn only low returns or become saddled with huge non-performing debts, then that was the price that had to be paid.

That price has been very heavy in the past four years when the banks have had to bear the burden of the slump in the overseas construction and shipbuilding industries. According to one recent estimate, the value of the seven big city banks' non-performing loans rose last year to more than 5,000bn won, more than treble the value of their combined equity base.

Bank profits recovered last year by an average of 13 per cent, but return on assets was still less than one per cent and average return on capital was only 4.5 per cent.

The Government has been wanting to liberalise the banking scene for several years, and made a start in 1982 by privatising the big banks. However, their poor performance has meant that the Government has had to continue propping them up, and so further liberalisation had to be postponed.

Now, however, it looks as if the clouds are at last clearing. The banks' problem is "almost over," Mr Chung in Yong, the Finance Minister said in a recent interview. "so we are ready to look at liberalising and restructuring."

Mr Chung will not indicate how the Government's thinking on restructuring is shaping up, but it is a fair bet that the big banks will do better out of it than some of the other types.

Foreign commercial banks, for example, appear to have little left to offer to Korea. Until recently, they had a large and profitable niche in bringing much needed foreign loan funds into the country. Under the so-called swap scheme, the Bank of

Korea gave each foreign bank the right to bring in a given amount of foreign currency. The central bank would then swap the currency for Won for periods up to a year, and would guarantee to repurchase the Won at the same rate at which it was sold.

The central bank paid the market rate of interest for the foreign currency and allowed the banks to put a 1 per cent spread on loans they made with the Won. It was a sweet deal while it lasted, but now the country does not need foreign loans and so, in the face of howls of protest from the foreign banks, the central bank has been reducing the swap quotas and the spread allowed on the Won loans.

Some concessions have been offered to meet the foreign banks' complaints that they do not have adequate access to Won funds through normal channels, but the Government seems unwilling to let the foreign banks have any special privileges any more.

Mr Rod Frew, resident manager of Britain's Lloyd's Bank, wonders whether there will be a niche for foreign banks in the future. "I do not think they can find one for us," he says.

The future of the 33 short-term finance companies also seems uncertain. These are institutions that have grown up in recent years to fill a vacuum inexplicably left by the big banks—that is, providing unsecured short-term loans. Initially, this requirement was met by a rather rowdy korb market, but in the late 1970s and early 1980s the Government encouraged the expansion of the short-term finance companies to take their place.

These companies have grown very rapidly and now are second only to the commercial banks in size. However, the Government has become angry with them recently for provoking the bankruptcy of two large construction companies. The Government feels there are too many finance companies, and competition among them has become too intense. It has been dropping hints lately that many of them should be taken over by banks or securities companies.

Merchant banks too are losing popularity. Starting in 1976, the Government authorised the creation of six merchant banks on the British mode.

With the idea that they would help develop capital markets, investment banking and advisory services for potential inward investors. As a result,

they were given very broad licences. In the event, they have not done much merchant banking, partly because of government restrictions, but they have used their licenses and their legendary wits to do all sorts of banking business as opportunities have arisen.

Korea Merchant Banking Corporation, for example, in which Barclays Bank and Lazard Brothers of the UK each have had 25 per cent stakes (Lazard has just sold its shares to Bank of Boston), has been active in the short-term finance market, medium-term lending, leasing and bond investment trusts. Pre-tax profit of KMBC last year was 32 per cent of shareholders' equity.

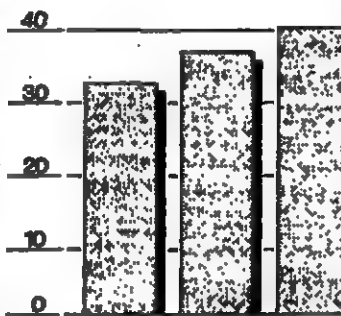
The Finance Minister says that no reform of banks or other financial institutions will be implemented until the committee set up last year to study capital market reform has reported. He says that some elements of the thinking of the committee, which includes civil servants, academics and financial experts, could become clear later this year, but most of it will be next year.

The US Government, in particular, is pushing hard for early change, on trade parity grounds. The US view is that if US markets are going to be open to Korean cars, then the Korean market has to be open to US financial services.

Foreign bankers in Seoul sense that the Government favours the creation of a universal banking system, and that the various specialised institutions will be encouraged to merge with one another or form associations.

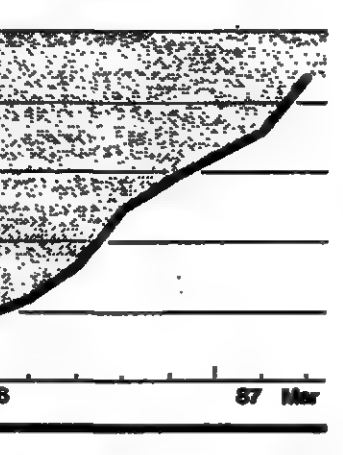
lan Rodger

The Won against the Dollar

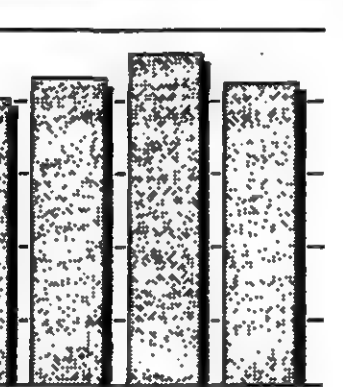


Source: Bank of Korea / House of Representatives

Gross National Product



Balance of Payments



Source: Bank of Korea / House of Representatives

## Economy

## Surplus brings trade friction

WHAT A difference a year makes. A year ago, Korean economists were cautiously forecasting a moderate recovery after the 1985 slump when gross domestic product grew only 5.4 per cent, the trade balance finished marginally in the red and the heavy foreign debt load was worsening.

But when the final figures for 1986 were in, the country had scored a stunning 12.5 per cent rise in gross domestic product, powered by a 28.3 per cent surge in exports.

The buoyant trend has continued this year, and suddenly Korea, worried that 1985 suggested the gains of previous years were in danger of being dissipated, finds itself a nearly developed nation with the ability to generate successive surpluses.

In the first quarter of this year, the economy grew at a 12.5

per cent rate and government economists now admit that the current account surplus could top \$3bn this year.

It all sounds like a developing country's dream, and to a considerable extent it is, but the Koreans are finding that it also generates a new and different set of problems.

For example, trade surpluses cause problems with trade partners, particularly the US, with which the country had a \$7.6bn surplus last year. Last month, the Government hastily announced an emergency set of measures designed to stimulate imports and ease the growing trade friction with the US.

Korea is also under pressure to appreciate the Won and lower its interest rates in line with international trends, but the Government is reluctant to respond. Investment spending is booming, and the rapid inflow

of foreign exchange, all of which must be converted into local funds, is boosting the money supply, already growing at an annual rate of nearly 20 per cent, to a disturbing extent. The Government fears a fresh outburst of inflation if it eases conditions at all.

The cornerstone of the new policies is the opening of markets and the provision of foreign exchange to Korean companies so they can buy and import capital goods. Last month's package is expected to increase imports by about \$1.5bn to \$2bn this year alone.

Meanwhile, the Government is trying to use its surpluses to good effect. The Government is hyper sensitive to public criticism that its high level of foreign borrowing in the early 1980s reflected economic mismanagement, and so it wants to reduce the debt as quickly as possible.

Korea's gross external debt peaked at \$46.7bn in 1985, 56 per cent of GNP. Although, in size, this placed South Korea very much in the major leagues of indebted countries, it had never been a source of serious concern to its creditors, who remained impressed by the patent strengths of the economy.

If doubts existed they were muted and centred mostly on the country's political stability. In any case, the Government had embarked on a policy of changing the mix of debt by reducing short-term exposure.

Now emboldened by the country's current economic performance, the government recently declared a policy of reducing indebtedness to about 20 per cent of GNP by 1991. Given the expected growth in GNP over this period, that means getting it down to about \$30bn. However, it now looks as if that programme will be implemented even faster than expected. At the current rate of repayments, the total will slip below \$40bn this year.

The Government is also resigned to seeing the Won appreciate. It is under intense pressure from the US to revalue the currency substantially, but is resisting on the grounds that its trade surplus position is a recent phenomenon and not a structural one like those of Japan and Taiwan.

The Government fears that a rising Won would undermine economic performance, but it is responding to the pressure. The Won has risen by 5.4 per cent against the dollar and fallen by 43.7 per cent against the yen since the so-called Plaza agree-

ment on major currency alignments in autumn 1985.

Another strand of this anti-surplus policy has been to postpone for the time being the liberalisation of Korea's capital markets. Korea has now become a highly desirable place for foreigners to invest, and the Government is understandably reluctant to see any additional capital inflows at this time.

Interest rates, which are now very high, are likely to be lowered later this year, partly to offset the anticipated negative impact on the economy of the rise of the Won.

Government officials are nervous about the potential inflationary impact of a reduction in interest rates. They point out that with equipment investment maintaining its breathtaking 28 per cent growth rate from last year, it is difficult to justify any reduction.

On the other hand, high interest rates exacerbate the effect on the money supply of the country's current account surplus as investors seek ways to bring funds in rather than take them out.

The Government is already having to issue huge amounts of monetary stabilisation bonds to soak up the increase in liquidity caused by the trade surplus. Last year, for example, new MSBs totalled 2.755bn won compared with a net redemption of W50bn in 1985.

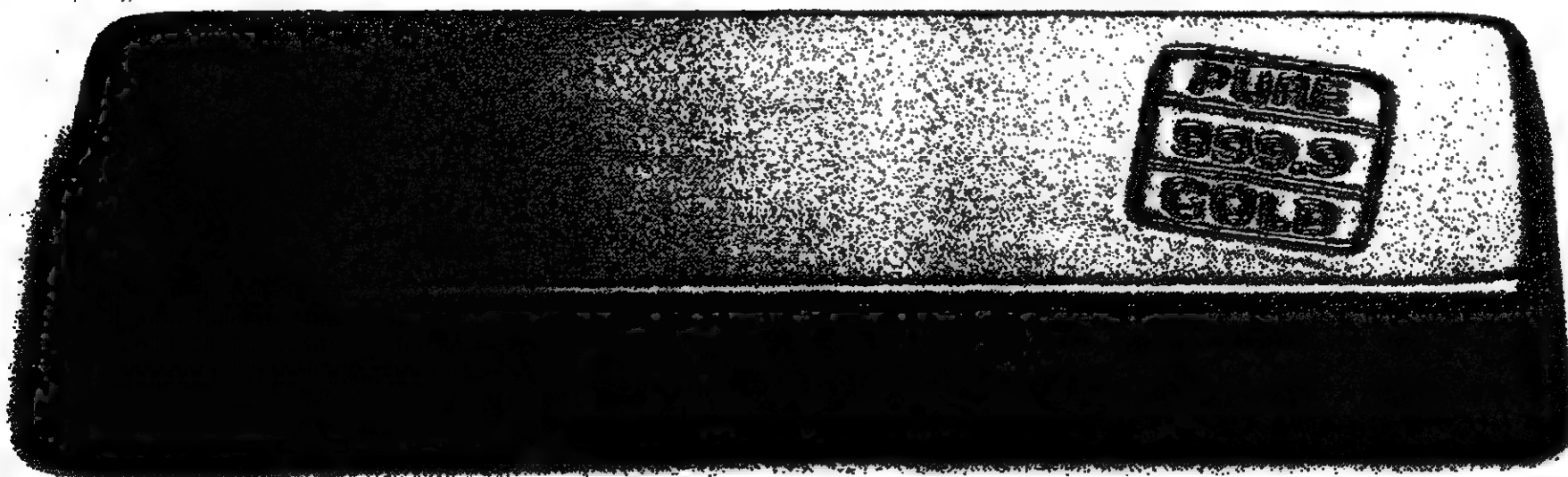
Meanwhile, the Korean economy continues to show a remarkable ability to adapt quickly and effectively to changing circumstances. In many ways, Korea is still a developing country, with about a quarter of the workforce still engaged in agriculture, forestry and fisheries. Services account for little more than a third of GDP. However, at the same time, it is coping with some of the problems faced by highly industrialised countries, such as the maturing of heavy industries.

The recent surge of growth in the economy has come mainly from manufacturing (up 16.8 per cent last year), and in particular, the heavy industries. Last year, their output grew by 23.5 per cent while the light industries grew only 9.7 per cent, and agriculture only 4.4 per cent. Electronic machinery and were the main contributors to the 26.6 per cent rise in exports.

The outlook for the rest of the current year remains for more of the same. In the first quarter, merchandise exports were up 43.6 per cent to \$3.6bn, and there is no sign of any easing.

lan Rodger

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The country's industries are demanding a wider range of markets in which to operate.

## Commitment to liberalise capital markets

LAST YEAR, for the first time, the savings rate in South Korea exceeded the investment rate, and most economists believe this trend will continue indefinitely.

"That means the country from now on can finance entirely its own development. And that, in turn, gives the authorities some flexibility in its plans for developing and opening up the country's capital markets."

So far, Korea's remarkable industrial development has been financed almost entirely by bank borrowing, much of it from foreign banks. But now that the country's industries have become more sophisticated, they are demanding a wider range of capital markets in which to operate.

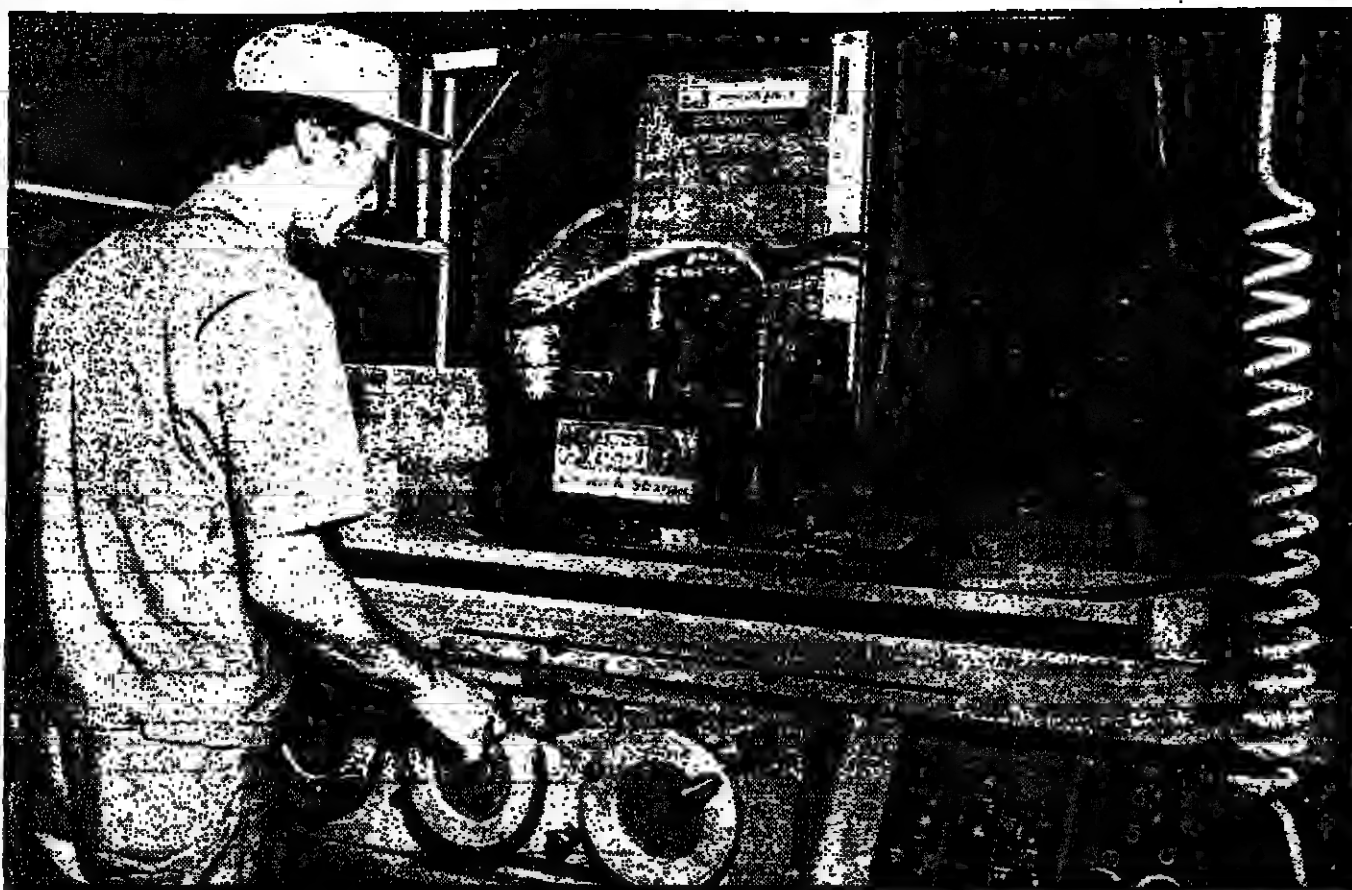
Korea already has the basic capital markets—money, bond and stock markets—functioning, but they suffer from a significant level of government intervention. For example, the authorities effectively set interest rates in the money markets and they are inclined to make arbitrary decisions to influence the behaviour of the stock and bond markets.

Two months ago, when the stock market was booming, they stimulated the supply of shares by simply ordering some institutional investors to sell some of their holdings.

However, the government is committed to a policy of developing and liberalising its capital markets. The bond market, for example, has been growing rapidly in recent years. The total listed public sector bonds rose from W2,496bn in 1982 to W8,638bn at the end of last year. Corporate bonds grew from W3,303bn to W10,028bn over the same period. This year, the public sector has moved sharply ahead, as the government has been issuing large amounts of monetary stabilisation bonds to soak up excess liquidity caused by the trade surplus.

The government is also committed to expanding the Korean equity market, even to the point of virtually forcing companies to go public. Last year, 13 companies obtained new listings on the Korean Stock Exchange (KSE), and another 30 are expected to go public this year. There is also a commitment to opening up the stock market to foreigners, but that has become problematic.

By most international standards, the KSE is seriously undervalued. The KSE Com-



Korea's remarkable industrial development has been largely financed by bank borrowing.

posite Index rose from 163.37 at the beginning of 1986 to a peak of 405.13 at March 31 last, from where it has since settled back to about 365. Despite this rapid rise, the market's overall price earnings ratio is still somewhat around 10. By contrast, the Japanese stock market is on a p/e of close to 60 and the New York and London markets are near 20.

Moreover, while some other stock markets are looking a bit stretched these days, there are a number of factors which suggest that the Korean market still has considerable scope for growth. The main one is that the market is underpinned by one of the fastest-growing economies in the world. Last year, Korea's growth rate was 12.5 per cent and this year's promises to be similar.

Another factor is that the institutional presence in the market is still a relatively small

19 per cent. This in turn reflects the lack of funded health insurance and pension plans in Korea. However, the government and many companies have plans to introduce funded schemes in the near future, which will create more demand for shares.

On the supply side, the Korean market is already well diversified. There are some 357 listed companies in a wide variety of sectors. London stock brokers James Capel and Co point out that the top 10 Korean stocks account for only 25.2 per cent of the total market capitalisation. In the UK, the comparable figure is 27.2 per cent. West Germany 48.8 per cent, US 15.2 per cent.

However, as the recent speculative fever indicates, the supply of shares is inadequate to meet the demand. Entrepreneurs who have built up businesses through borrowing

| Investment and Savings |      |      |      |      |      |       |
|------------------------|------|------|------|------|------|-------|
|                        | 1981 | 1982 | 1983 | 1984 | 1985 | 1986* |
| Gross investment ratio | 30.3 | 28.6 | 29.9 | 31.9 | 31.1 | 30.3  |
| National savings ratio | 20.5 | 20.9 | 25.3 | 27.9 | 28.6 | 33.0  |
| Private                | 14.9 | 14.8 | 18.1 | 20.9 | 21.7 | n/a   |
| Government             | 5.6  | 6.1  | 7.2  | 7.1  | 6.9  | n/a   |
| Foreign savings ratio  | 9.8  | 7.0  | 4.7  | 4.0  | 3.1  | -2.9  |
| Discrepancies          | 0.0  | 0.7  | -0.2 | 0.0  | -0.6 | 0.1   |

Notes: \*Estimates  
Source: Bank of Korea

are understandably reluctant to sell part of their shares to the public, but the government is pushing them hard to do so. There is a 2 per cent corporate tax break for listed companies and, one suspects, other more subtle forms of moral persuasion.

For the moment, foreign

investors can do little more than drool over this situation; they are not allowed to hold Korean shares directly. The only official way they can participate is to invest in one of the five investment trusts established specifically for them. (Unofficially, there is said to be a lot of Japanese money flowing into

the market, made possible by the numerous family ties between Koreans and Japanese, but such foreigners are not as well placed.)

The performance of the latest of foreign investment trust, the Korea-Europe fund, launched by the British merchant bank Baring Brothers in March, indicates the kind of enthusiasm there is abroad for Korean shares. The shares soared to a 200 per cent premium on the \$10.71 offer price, and have remained well over \$20 ever since.

The chances of more shares being made available for foreigners in the near future have faded lately. Two years ago, the government began authorising Korean companies to issue convertible bonds in foreign currencies, with the clear implication that, on conversion, foreigners would then be allowed to own the company's shares.

The first of these, a \$20m Eurobond issued by Samsung Electronics, could, under its terms of issue, be converted next October. However, the government has decided that if it lets Samsung convert, then it would have to open the gates more widely to foreign investors. And the last thing the government wants these days is an additional large inflow of capital.

In a recent interview, Mr Chung In Yong, the Korean Finance Minister, said the Samsung conversion now seemed "less possible" than before.

The government says it is still committed to opening up the stock market to foreign involvement but, even if it solves the problems associated with the current high inflow of funds, it wants to see more Koreans participating in the market before allowing foreigners in. Now, fewer than 1 per cent of Koreans own shares.

Thus, for the moment, the small group of foreign stockbrokers' representatives (none have licences) in Seoul have little more to do than to carry out research and envy their Korean counterparts.

Total commission income of the 25 KSE member firms was W200bn in the year to March 31, 1987. Daewoo Securities, the leading company, more than tripled its profits to W90n.

Ian Rodger

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## Foreign Investment

## Rapid growth in the inflow

KOREA'S low wage structure, relative industrial sophistication and the low value of the Won have long made it an attractive proposition for international companies looking for a manufacturing base in the Far East.

That appeal has grown significantly over the past year as the yen has appreciated against the dollar. Many companies, particularly Japanese concerns, are taking a fresh look at Korea and the rate of investment inflow is growing rapidly.

Yet the experience of foreign businesses already present in Korea is summed up in one word by a senior foreign banker in Seoul. He says it is "mediocre".

Theoretically this should not be the case. Not only do the economic fundamentals favour foreign investment, the basic rules are also fairly open. Although Korea does have some restricted sectors which are closed to direct foreign investment and each proposal must be negotiated individually with the Ministry of Finance, it has allowed some companies such as IBM of the US to open fully-owned subsidiaries. Remittance of earnings, a problem for direct investors in many developing countries, is freely permitted.

"We want to encourage foreign direct investments, particularly in small and medium industry," says Mr Hong Jae-Hyung, Assistant Finance Minister responsible for planning and management. In fact, the volume has begun to grow very rapidly with an inflow of \$345m in the whole of calendar 1986 and \$224m in the first quarter of 1987 alone.

Generally regarded as a success, at least from the Korean viewpoint is the 50-50 joint venture between General Motors of the US and the Daewoo Group which has recently begun exporting cars to the US. Similarly, other joint ventures such as Dongshin Foods in which General Foods of the US has a 49 per cent stake have also proved profitable, but foreign businessmen in Seoul point quickly to the pitfalls which can beset the unwary direct investor.

Basically these fall into three main categories: a clash of objectives in which the Korean partner is looking for technology transfer and access to overseas markets while the foreign partner is seeking entry to the domestic market; a clash of management styles leading to partnership strains which can be exacerbated by lack of understanding in the foreign company's head office; and the inability of the foreign partner

| Major Foreign Investments in Korea |                    |  |                  |               |
|------------------------------------|--------------------|--|------------------|---------------|
| Company name                       | Local Partner      | Foreign Partner  | Investment (\$m) | Foreign Share |
| Hotel Lotte                        | —                  | Lotte Shoji Int (Japan)                                | 539              | 100           |
| Daewoo Motor                       | Daewoo Group       | General Motors   | 160              | 50            |
| Pusan Hotel Lotte                  | Pusan Hotel Lotte  | Lotte Shoji Int*                                       | 93               | 99            |
| Hyundai Refinery                   | Lucky Goldstar     | Caltex (US)  | 63               | 50            |
| Kia Motors                         | Kia Group          | Ford Motor (US)  | 50               | 20            |
| Lotte Construction                 | Lotte Construction | Lotte Ad (Japan)*                                      | 50               | 70            |
| Daewoo Food                        | Daewoo Group       | Nestle (Switzerland)                                   | 45               | 99            |
| Hyundai Petrochemical              | Lotte-Daewoo Ind   | First Chemical Co (Japan)                              | 41               | 50            |
| Poongsan Metal                     | Poongsan Metal     | Chun-U Rhu (Japan)*                                    | 40               | 92            |
| Yongin Tourist                     | Yongin Tourist     | Shangri-La Hotel (Hong Kong)<br>Hanshin Travel (Japan) | 157              | 99            |

\* Foreign partners are Korean residents in Japan  
Source: Ministry of Finance/Business Korea

to protect its patents owing to Korea's still lax legislation on intellectual property rights.

With its 40m population and a rapidly growing economy, Korea is already a large market in its own right, but import barriers have made it hard for many foreign companies to break into.

The rationale for many foreign companies setting up business in Korea has been to market their products locally even if this involves a degree of local manufacture. But Korean companies are mainly interested in developing their export potential and some joint venture partners, such as the Japanese computer company Toshiba, have found to their surprise that they are competing in third markets with their Korean units.

Similarly the clash of management cultures can go beyond the foreign partner's failure to understand the traditional Korean business approach which calls for maximisation of sales, scant regard for profitability and a heavy reliance on borrowing as opposed to equity finance.

Paradoxically, a majority stake in a joint venture is not necessarily the best way of ensuring a happy partnership. "Joint ventures where the foreign partner has a 70 per cent to 80 per cent share have really done quite badly compared with those where there is an equal partnership," says Dr Tony Mitchell, a leading business consultant. The Korean partner feels that it is simply not worth bothering.

But perhaps the most awkward problem encountered by foreign investors in Korea has been that of intellectual property rights. Until this year, Korea has had no legislation covering product patents. All that was available was legislation giving protection to industrial processes. The problem that many foreign companies encountered was that Korean companies would copy their own processes and alter them slightly. They were thus able to effectively acquire production rights without either the threat of legal action or payment of royalties.

From July 1 Korea will introduce legislation affording product patent rights as well, but it will not be retroactive and this has caused worries for chemical and pharmaceutical companies which have to carry out a long period of testing between the patenting of a product and its actual launch.

Last year the US threatened Korea with trade sanctions if it did not improve its intellectual property right protection. It won a bilateral deal in which some

existing process patents can be converted into product patents when the new law takes effect, but this concession has not so far been extended to EEC countries who are pressing for better protection.

Talks are going on between the EEC and Korea on this point, although they have not as yet produced any firm concessions from the Korean side.

Despite all these caveats, the feeling in Seoul is that foreign direct investment is likely to grow, not least because of the way in which Korea's domestic market should expand as relatively high growth continues and the economy becomes more consumption driven rather than export-led.

On the basis of present growth expectations, Korea is expected to have an economy the size of that of France early in the next century with a per capita income very close.

And according to Dr Mitchell, joint ventures in Korea can succeed so long as they are carefully researched with a realistic scale, a measure of competition is built into partner's share of personal as well as business understanding with his Korean collaborator.

"The most successful ventures," he says, "have been those where the foreign partner earns a profit from a number of directions: supply of imported goods, technology licensing, technical and economic cooperation, sale of exports, as well as from the profits generated by the joint venture or wholly owned venture itself."

One UK company which started out on the joint venture trail last year is Glaxo which has a £24m venture in the pharmaceutical industry with a local company called Medica Korea. But this 50-50 joint venture was entered into only after Glaxo pharmaceuticals in Korea and its local partner is an affiliate of its previous agent, Chong Kun Dang.

Though other pharmaceutical companies in Korea have a poor earnings record, Glaxo expects to break even during its business year starting this July and show a profit by 1989.

Mr Leslie Pryce, executive vice-president of Glaxo Korea says: "Investing in Korea is like making a marriage. Both partners must show flexibility and cannot always have their own way. You win some of your objectives and lose some. The important thing is that at the end of each year you can look back and see progress."

Peter Montagnon



## Motor Industry

# Confident industry aims for middle size slot

**VEHICLE PRODUCTION**, expanding at a faster rate than almost anywhere else in the world, is becoming an increasingly pivotal motor in Korea's industrial economy.

Anyone who wants to study the way Korea's industrial structure is being pieced together so rapidly need look no further than the country's car makers.

The industry made just 460,000 cars last year but capacity will rise to around 1.5m within the next two years in a programme closely monitored by the government which, at least until June 1988, tightly controls the industry's shape.

Factory production methods used by the three car makers—Hyundai Motor, Daewoo Motor and Kia—employ Japanese and now West German production technology. Production workers are on 12-hour shifts, six days a week with salaries, including bonuses ranging from less than \$200 to around \$350 a month.

Joint ventures with Japanese and US partners give the Koreans direct access to design know-how and to many of the actual car models the Korean industry produces.

"Koreanisation" of components, helped along by government assistance has spawned an increasingly large infrastructure of component makers.

Borrowing to pay for new production facilities goes hand in hand with a policy of exporting to service this debt with North America, particularly the US, the biggest target for Korea's increasingly aggressive sales drive.

That in itself has produced an in-built vulnerability. Korea's car industry, still in many ways in its infancy, is so dependent on North America that any serious protectionist measures adopted by the US against Japanese car imports but which also roped in the Koreans could have devastating impact on the Korean industry.

That is why Korea's car companies are both eager to explain the industry's expansion plans while remaining embarrassed and somewhat twitchy about what this means in terms of volume sales to the US.

The Korean car industry has already had one dose of shooting too fast, too far. At the turn of the decade the roof rather

crashed in on the carmakers. In an attempt to rationalise what had then become a loss-making industry the Government ordered Kia to get out of car building, the company retaining its monopoly in vans and light trucks as a counter-trade.

But now the carmakers feel confident again and are determined it seems to become medium-sized producers whose names will be known around the world.

Hyundai Motor, which employs 27,000, was first in the field with its Pony back in 1967 and Kia is the latest, allowed back into the marmaking fold alongside Hyundai and Daewoo. Kia only began production three months ago.

A fourth company, the Saengyong conglomerate is also in vehicle building following its purchase last year of the financially crippled Dong-A-Motor. This has given Saengyong a business making specialist truck like concrete mixers, buses and Jeeps but no car building.

No other company is allowed to make cars in Korea, at least until the summer of 1989 when these controls are due to be removed. "The car industry is still at an initial stage of development," says Mr Lim In-Taik, assistant minister responsible for industry. "If we remove these controls now it will cause excessive competition and trade friction."

Hyundai Motor, 15 per cent owned by Mitsubishi of Japan, made 420,000 cars last year and has recently raised capacity to 600,000. This capacity will have been further increased to 750,000 cars by the end of this year.

The company is also building a 100,000-a-year car assembly plant in Canada, due to come on stream in 1988 and has said that it will decide within the next year or two whether to set up in the US.

Its models include the dated Pony, the front-wheel drive subcompact Excel, the Ford Sierra-sized Stellar and the Grandeur, a large 2.5-litre engine Mitsubishi look-alike.

Hyundai sold 168,200 cars in the US last year, mainly Excel, which sell for as low as \$5,100 but with the biggest sales of models costing \$7,400. The company had 161 of its own distribu-

tors in the US by the end of last year.

Hyundai says it expects to sell between 200,000 and 250,000 in the US this year. It has also indicated that the US sales target in 1988 will be around 400,000.

Daewoo Motor is a 50:50 joint venture with General Motors. It built just 47,000 cars last year, mainly Royale mid-sized saloons based on the Opel Rekord/Vauxhall Carlton, and the dated Maepay, a look-alike of the old Vauxhall Chevette.

However, Daewoo is stepping up gears rapidly and could be on the verge of becoming a significant car producer. It is expecting to build around 200,000 cars this year, largely based on its new Popyong plant near Seoul. This plant began production late last year of the LeMans, a virtually identical-looking derivative of GM's current Opel Kadett/Vauxhall Astra.

Popyong's capacity is 167,000 LeMans a year but this will be increased to 278,000 cars by next year, lifting Daewoo's production capacity to 340,000.

Popyong is a modern plant, more advanced in production technology than Hyundai's Ulsan facility and uses Opel's West German production methods, including tilt lines, door-off assembly and modular assembly for dashboards.

Daewoo expects to manufacture around 140,000 LeMans this year, shipping 100,000 to North America. They will be sold in the US as Pontiacs through GM dealers.

Kia, in which Ford and Mazda have stakes began car production in February of a Mazda-designed small car called the Pride in Korea and the Festiva in the US. The plan is to produce 120,000 of these this year, with 85,000 exported and sold through Ford dealers in the US.

Kia says it aims to make 200,000 Festivas in 1988 with capacity increased to around 300,000 by the end of that year.

All this expansion—if it comes off—will make the domestic market more competitive. The LeMans is already taking market share off the Pony/Excel.

What can result from this internal "liberalisation" is evidenced by Daewoo Heavy Indus-

tries which lost its monopoly on diesel engine manufacturing two years ago. Its Inchon plant with a capacity of 120,000 diesels a year is now making just 40,000 engines.

The domestic market is being further partially liberalised from this summer to allow some car imports. However, with import tariffs of around 50 per cent—and several times that for cars above 2 litres which at the moment are not made in Korea—imports are unlikely to cause much of a disturbance.

Korea's components industry is also going through some significant changes. On the one hand, the Government and the car industry have a policy of Koreanisation. On the other, it has been making much play about its switch from some Japanese components to those from the US and Europe, partly to try to dampen down moves towards protectionism.

Some Hyundai cars sold in the domestic market have virtually 100 per cent Korean made components. The company was forced to use more Japanese components however for export models, for example to meet emission controls.

The Korean components industry is developing swiftly however even though Kia is starting off with a high percentage of Mazda components in its new mini car.

Hyundai is now making its own emission kits and has an automatic gearbox plant coming on stream soon. Components makers are also co-operating more among themselves and there has been some discussion about setting up industrial estates just for component makers.

At the same time, the Koreans say they will import more components from the US and Europe. The Government is offering low interest rate loans for companies that wish to buy more non-Japanese parts from outside Korea.

It is questionable how far this will go though Hyundai is quick to point out that it is now buying Goodyear tyres, Libbey-Owens-Ford windscreens and Champion spark plugs for some of the cars it exports.

Exports—with the US by far the biggest single market—accounted for well over half of

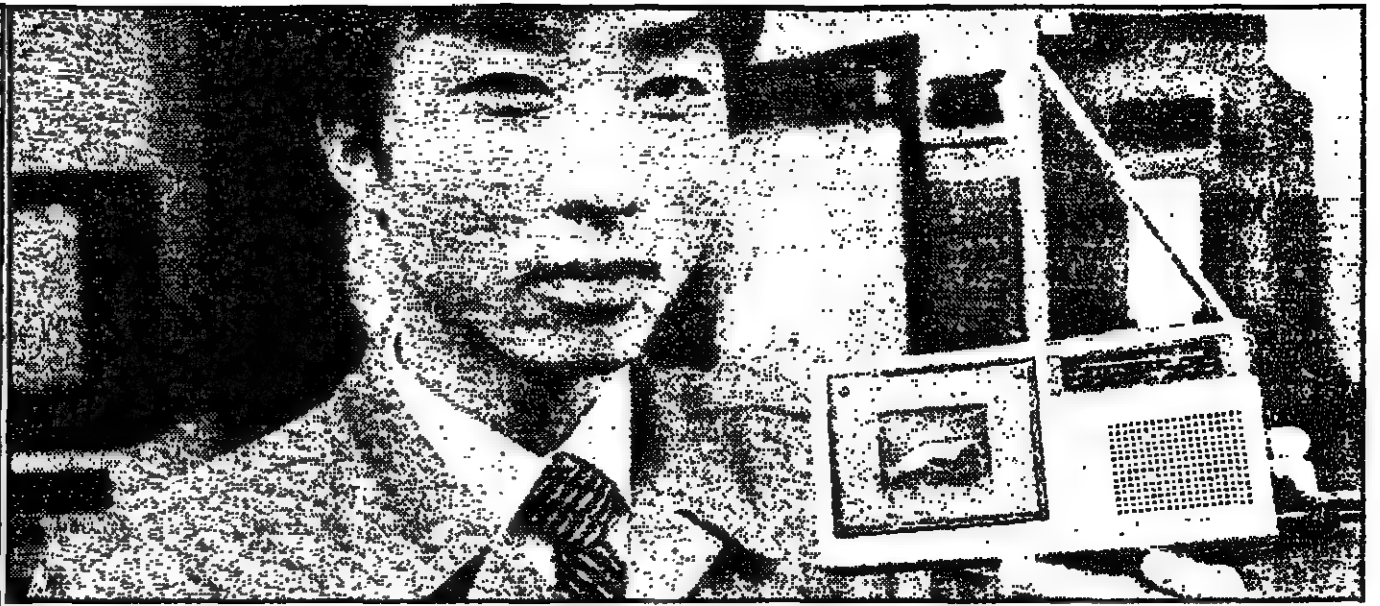
sales, growing in value terms last year by about 55 per cent. That is why electronics companies are nervous about the prospects of protectionism in the US—even though the US does not manufacture some of Korea's best-selling export products—and of the investigations now under way about alleged dumping in the European Community.

Some observers also worry about the speed at which Korea's electronics companies are travelling. "The risk is that the Koreans will over-expand capacity and find themselves selling in a flat market if we get a cyclical downturn just when their currency is rising," say brokers W. I. Carr in Seoul.

At the moment though the industry is forging ahead and is marked by a number of characteristics which should see it through into the 1990s.

The rapid move away from relatively low technology products such as radios and black and white TVs into VCRs, microwave ovens, personal computers and stereo systems continues apace while much more effort is being put into industrial and commercial equipment and semiconductors.

The Government hopes that Korea will have about 7 per cent of the world electronic equipment market in the next decade, and expects industrial and commercial equipment to form 26 per cent of sales by 1991 as



Korean producers now plan to join the big league

## Electronics

## Research investment pays off

**THE ELECTRONICS** industry, a medium-sized producer by world standards, is racing hard to join the big league.

Investments in research and enlarged production capacity in the early 1980s by the country's leading electronics companies are beginning to pay off with some startling export-led production increases last year.

Korea's total output of electronic equipment and components at \$10.6bn based on ex-factory prices represents less than 3 per cent of the world electronics market and about one tenth or less than that of Japan.

This bald statistic though masks some significant product and market penetrations. Korea, for example, claims to have about 20 per cent of the US market for video cassette recorders (VCRs).

Moreover, figures from the Electronic Industries Association of Korea reveal some dramatic increases in production levels through 1986—based largely on booming exports and in a year when Korean electronics companies doubled their rather weak profits of 1985.

Total ex-factory sales of electronic equipment were up 45 per cent in US dollar terms. Production of colour TVs rose by half to almost 7m sets, while VCR output jumped from 1.4m to 3.7m.

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sales, growing in value terms last year by about 55 per cent. That is why electronics companies are nervous about the prospects of protectionism in the US—even though the US does not manufacture some of Korea's best-selling export products—and of the investigations now under way about alleged dumping in the European Community.

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The Government hopes that Korea will have about 7 per cent of the world electronic equipment market in the next decade, and expects industrial and commercial equipment to form 26 per cent of sales by 1991 as

again 26 per cent for consumer electronics (the rest are components).

Samsung Semiconductor, which is already producing 256kbit rams, will be marketing a one megabit d ram in the second half of this year.

The Government has brought together Samsung, Goldstar Semiconductor, Hyundai and Seoul University to do the core work on a 4 megabit d ram with the intention of having this ready by 1989. Goldstar says it hopes eventually to design a 16 megabit d ram at its research establishment in Anyang.

The main electronics companies already produce 16 and 32 bit personal computers. Daewoo Telecom received from the Philippines last year Korea's first export order for telecommunications equipment which can carry up to 100,000 lines.

The Koreans have been quick to build production plants abroad. Goldstar has a plant in the US making TVs, microwaves and, in the future, VCRs. Its new West German TV and VCR plant begins production in November.

Samsung also has a substantial assembly facility in the US and will soon open a production plant in the UK for microwaves and possibly VCRs.

Seehan Media, the indepen-

dent, privately-owned company that is now the world's largest producer of video tapes, is building a plant in the Irish Republic which, when it starts producing in 1989, will have the capacity to make 5m tapes a month.

Some electronics companies also say quite openly that they will probably start assembly of computers in countries like India within the near future.

While all this has been going on, however, there have also been moves, supported by Government cash inducements, to make a greater share of electronic components in Korea rather than import them—usually from Japan. This includes substantial numbers of capacitors, resistors and connectors.

Goldstar Electronics says an average 81 per cent of its products are Korean-made but it wants to lift this to 95 per cent by the turn of the decade.

Korean electronics companies have made liberal use of agreements with US and Japanese companies to gain technological know-how. Goldstar has about 50 of these.

At a time though when Korea is seeking even more partnership agreements, there is already evidence that US and Japanese companies are becoming increasingly reluctant to share their knowledge with a country that intends taking a much larger share of the world electronics market.

Nick Garnett

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## SOUTH KOREA 9

## Agriculture

## Farmers well protected

NO ONE in his right mind would today dream of calling contemporary South Korea a banana republic. Yet in a country where bananas are an exotic fruit costing the equivalent of around \$1 each the description might even be deemed a compliment.

The high price of bananas, which are imported under a special tariff arrangement from Taiwan, illustrates the carefully protected nature of Korean agriculture which is a politically sensitive sector. It is generally assumed that it will be the last sector where trade will be liberalised.

Korean farmers say they need protection for their industry partly because they live in a mountainous country where the soil is generally poor and the winter extremely cold. Because of the inheritance system the size of farms is also small, averaging only 1 hectare each. That makes for high costs. In return farmers feel entitled to receive high prices.

"It is impossible to make our market free. Every farmer would vanish," says Mr S. W. Kang, president of the Seoul Dairy Cooperative and himself a farmer.

Yet in a broader political sense agriculture is also a matter of strategic importance. Not only is the question of basic food security particularly important in a country which has been taught to live in daily fear of invasion from the North. As in many developing coun-

tries the Government has to forestall excessive migration to the cities—the capital Seoul is already home to around a quarter of South Korea's 40m population.

The Government feels obliged to strike a balance between industrial growth and urban decline and, most important of all, rural discontent which could undermine the Government's ability to defend itself against the North.

The system of protection varies from product to product. Korea does import farm products which it does not itself produce and the Government does subsidise some sectors of its agriculture, but South Korea's high farm prices basically the consequence of barriers to imports of products which would compete with local produce.

The domestic price is then left to find its own level, although the Government does effectively set some prices, for example, that of rice which it buys in substantial quantities for its own account.

The result is that the domestic price of rice in Korea is some five times the world market price. Consumers are expected to pay the full cost of this, as in contrast to neighbouring Japan the Government does not resell its stocks at a price lower than it paid for them. There is little consumer resistance to high food prices and they have helped keep rural incomes in Korea relatively high in rela-

tion to those urban households.

According to figures published by the Bank of Korea average farm household incomes in 1985, the latest year for which data are available, totalled 5.7m Won. This was nearly 80 per cent of the level of their urban counterparts, but an indication of the degree to which farming is still a struggle in South Korea comes from the breakdown of these figures which show that only 3.7m Won came from actual farm business with the rest made up of side-business, which the Government is seeking to encourage, and "other" receipts.

Though it is very heavily protected, Korean agriculture has largely escaped the attention of the reform movement in world agriculture. Economists in Seoul say that its position is akin to that of Scandinavian farming which is also allowed to enjoy considerable protection partly to preserve rural communities in the depopulated North of Europe which is close to the Soviet Union.

Perhaps in recognition of this point the US has been less strict in calling for farm reform as part of bilateral trade talks than it has with Japan, which also operates a highly protected system. Currently the US is making two main demands on Korea where agriculture is concerned.

It wants the authorities to open the market to citrus imports and to beef, which is in oversupply in Korea after a cattle-buying spree undertaken by



Poor soil and the small size of farms contribute to farmers' difficulties

farmers a couple of years ago. But the US is asking only to open the citrus market to imports of oranges during the season when Korean tangerines are not available and for an end to the current ban on sales of foreign beef to luxury hotels rather than general import liberalisation.

According to Mr Kim Han Gon, director general of the policy bureau of the agriculture ministry in Seoul, Korea is already the fourth largest market for US farm exports outside the US, behind Japan, the Netherlands and Canada. US farm sales to Korea last year totalled around \$1.6bn, making up 40 per cent of total farm product imports.

The bulk of the imports consisted of grains, which South Korean farmers do not produce and of raw materials for the textile industry in the form of cotton and hides and skins. The latter product alone accounted for \$475m of the total.

Overall, Korea's trade in farm products is in deficit with the rest of the world. Imports last year amounted to nearly \$5bn while exports were only \$383m. The largest single export product was leaf tobacco which accounted for \$67m.

Korea is thus not a major player in world agricultural trade, and farming only accounts for a relatively small share of its own economic output. As industrial expansion has gathered pace, farm output as a proportion of gross national product has fallen to 14.3 per cent in 1985 from 24.7 per cent 10 years earlier. The rural population fell to 8.5m or 20.8 per cent of the total population in 1985 from 10m or 25.4 per cent at the start of the decade.

Nonetheless, Korean farmers enjoy a privileged position in domestic politics, not only for the broad social and strategic policy issues mentioned above. Many members of the Democratic Justice Party government of President Chun Doo Hwan sit for rural constituencies and this gives the farm lobby additional strength.

Moreover, the Saemaul Undong or New Community Movement, which is voluntary but claims 10m members or a quarter of the entire population and has close links with the Gov-

ernment, has laboured for years to introduce rural infrastructure development and improve the lot of farmers.

For all these reasons the prospects for farm reform in Korea seem slim indeed. Moreover, the cost of the current protectionist policies is borne mainly by uncomplaining urban consumers and by potential exporters to Korea rather than the Government itself. Mr Kim of the agriculture ministry calculates that farm spending takes up only 6.5 per cent of the Government's total budget.

Though Korea now has a surplus of both rice and dairy products as well as beef, the economic cost is simply not regarded as high enough to warrant any change.

Indeed evidence of the Government's continuing desire to nurture the farming industry came with a government decision earlier this year to make available to farmers the equivalent of \$1.2bn to help reduce their indebtedness, particularly to unofficial finance houses which charge rates of around 25 per cent.

At the time observers in Seoul assumed that the move was intended to preserve farm support for the ruling party ahead of constitutional reform planned for when President Chun steps down next year. Since then President Chun has dropped the plan for constitutional reform, but according to Mr Kim of the agriculture ministry, the payments to the farmers are still going ahead.

Peter Montagnon

## Machine tools

## Seeking export opportunities

KOREA's machine tool industry is a minnow compared to that of Japan and West Germany. The core of its stand-alone machine tool production is the standardised CNC multi-purpose machining centre and overall the industry's technological capability is only low to moderate.

The Koreans believe however that considerable export opportunities are now available, partly because of the impact on the Japanese machine tool industry of the yen's exchange rate.

The Government is also keen to reduce the large trade imbalance in machine tools. As a result of learning about the industry through the manufacture of mainly Japanese-designed machine tools followed recently by in-house design of their own machines, more sophisticated Korean machines are beginning to appear. These include Korean-designed flexible manufacturing systems though without automated materials handling. The rapidly growing domestic industry which still uses largely Japanese or West German production technology is also beginning to spawn a rudimentary vehicle-related equipment building industry. Hyundai has developed its own transfer machinery for example.

The country manufactured \$350m worth of machine tools in 1985, including machining centres, lathes and milling and boring machines, according to Ministry of Trade and Industry figures.

Its exports, mainly to the US with smaller numbers sold in Japan, West Germany, Indonesia and the UK amounted to only \$27m, less than the Government had predicted and almost unchanged from 1985. More than a half of the \$680m domestic machine tool demand was met by imported machinery, mainly Japanese.

This year the Government is hoping that domestic production will rise to around \$450m with an ambitious target of doubling exports to \$55m. Korea has 110 companies listed as making machine tools but many of these are tiny and probably include component makers and some producers of powered hand tools.

By far the largest machine tool maker is Daewoo Heavy Industries, followed some way behind by Tongil and Swachon.

Daewoo which produces around 1,000 machines a year at its Changwon plant, 250 miles south of Seoul, is one of the most innovative heavy engineering companies in Korea.

As well as a range of CNC machining centres, lathes, boring and milling machines it also makes its own-designed laser cutting equipment and robots. Daewoo Heavy has introduced a cylinder block and crankshaft flexible manufacturing line for its V8 diesel engines made at Incheon. The line uses Daewoo's own machines but fixtures holding the parts to be machined are transported to the machines by a manually-controlled transporter rather than by automated guided vehicles which are now increasingly common in Europe and the US.

The group which uses Japanese Fanuc controllers on its machine tools is trying to develop its own CNC controllers but concedes that this is at least three to five years away.

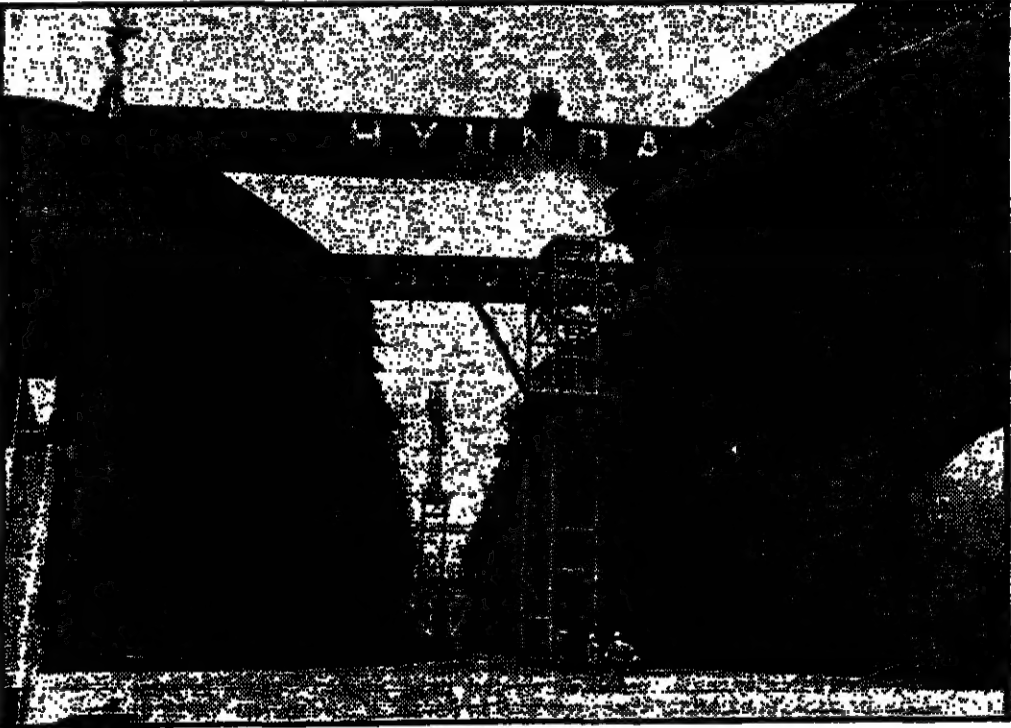
Daewoo says its total machine tool sales last year were \$43m and its target for this year is \$63m. Exports accounted for 36 per cent of sales in value terms. The company has indicated that it wants to raise its share of exports to Europe from about 30 per cent of total shipments last year to about 50 per cent in 1988.

Tongil is also pushing further into Europe and has suggested that its target is to sell about \$13m of machining centres and milling machines in Europe in 1988.

"Koreanise" more machine tool components and recently reduced tariffs on some raw materials, including special metals used in tool manufacture.

Korean machine tools have so far presented little threat to indigenous European producers. However in open markets with a relatively weak domestic industry, like that of the UK, low-cost Korean as well as Taiwanese products have tended to disturb prices at the bottom end of the market.

Nick Gamett



There are hopes that the downturn in shipbuilding is easing

## Shipbuilding

## Losses despite support

IN SOUTH KOREA's shipbuilding yards the pervasive atmosphere among manual workers and managers is still one of gloom.

Last year the world's largest shipbuilding nation after Japan again made losses despite hefty government cash support.

Only shiprepair and breaking yards like Hyundai Mipo made any net contribution to the corporate profits of the *chaebols*, South Korea's big trading and manufacturing conglomerates.

According to the Lloyd's register, Korea completed 128 ships totalling 3.6m gross tonnage last year, lifting its share of the world total to 22 per cent.

Prices obtained in 1986 were disastrously low, however, and the Korean shipbuilding industry is now in the midst of building ships ordered in 1984 and 1985. In the latter year it only took orders of little more than

1m tonnes and through most of last year its shipyards were operating at half capacity. This year the Government expects that fewer than 2m tonnes will be completed.

Labour shedding continued. Between 7,000 and 10,000 workers, many of them subcontract labour, have been released by Hyundai Heavy Industries and Daewoo during the past three years. Many former Hyundai shipyard workers were transferred to other companies within the group.

The performance of many Korean yards would be gleefully accepted by some deeply depressed European and Japanese yards as a sign of success, especially as Korea only started up its shipbuilding industry in 1974.

But in a country where many industries are booming, the image of Korean shipbuilding

has been badly tarnished and bad news has never been far away.

Korea Shipbuilding and Engineering (KSEC) was placed in court receivership last month after stumbling into severe cash flow problems. This followed decisions by two Norwegian companies to delay payments to KSEC for six vessels worth \$188m.

Daewoo suffered a painful blow when its big \$670m contract with US Lines for 12 container ships turned sour. Having built and delivered the ships, Daewoo Heavy was rocked last year when US Lines filed for protection against its creditors under the Chapter 11 bankruptcy code.

Because of government insurance through the Korea Export Import Bank (Exim) together with the down-payment made by US Lines, Daewoo will be saved from absorbing a great deal of the total order value. The company says that the Exim bank will cover 90 per cent of the losses though by last month the Government had not made a final decision on the issue.

Korea's shipping companies on whose orders the Korean shipbuilding industry was originally built were again under strain last month when the Government announced the enforced restructuring of a number of companies—including 18 financially troubled construction and shipping businesses—in a survival programme.

There have also been several wrangles between Korean yards and shipping lines over the quality of some of the Korean workmanship.

Yet despite all these stresses a belief is growing among most shipbuilding managers that the Korean industry can see it through. The prospects they say will begin to improve substantially through into the 1990s as demand for new ships will exceed supply.

Already signs are emerging that the three to four year downturn in Korean shipbuilding might be easing.

For one thing orders taken in 1986 at least ensure that most yards will be busy well into 1988 even though the prices of many of these contracts were very low, prompting accusations that

Korea has simply been buying market share.

Far another, prices have begun to firm up. The main Korean shipbuilders acting in concert actually drove up prices by 10 to 15 per cent at the end of 1986. Mr Song-Hyuk Hwang, senior vice-president for sales at Hyundai shipbuilding in Ulsan says some Korean companies would have been better off moderating their order intake through the early part of last year to take advantage of high prices towards the end of 1986.

"Now we have started to think again of profit margins," says Mr Hwang who trained at the Scott Liffing yard in Scotland. However, talk of 8 per cent margins is "too much" at this stage, he says.

This view is shared by Mr Yoon Yung-Suk, president of shipbuilding at Daewoo, whose big \$500m Ogo facility in the south, completed in 1981, was the last major piece of shipbuilding infrastructure built in Korea. The industry, says Mr Kim, should now show slow but steady improvement.

The yen exchange rate is hurting Japanese yards though Japan remains by far the biggest shipbuilder having completed 650 ships last year with a tonnage of 6.2m, 46.5 per cent of the world market as against 52 per cent last year.

Japanese yards use much better production technology than Korean yards, utilising equipment like tower cranes and robotic welding equipment.

Japanese productivity, excluding labour costs, is probably twice as high as in Korea. However, very low labour costs—workers at Hyundai shipbuilding are paid around \$550 a month, including bonuses—and the effect of the yen rate make Korean yards at least five per cent more competitive than Japanese yards.

The high value of the yen though is a double-edged sword for Korea's shipbuilding companies. Korean-made ships typically have 20 to 40 per cent import content—mainly auxiliary engines, pumps, boilers and navigation equipment as well as a great deal of steel—and most of this comes from Japan.

Hyundai, which accounted for well over half the tonnage completed by Korea last year, ahead of Daewoo says its import content is around 20 per cent, with 40 per cent of its steel plate imported.

The yen therefore has also had a negative impact on Korean production costs, absorbing a lot of the price increases obtained at the end of last year.

"Exchange rate factors really burned Korean shipbuilders last year," says one observer. Even though Korean shipbuilders, which make most of their own primary ship engines, have been looking to increase the domestic component content of locally-made ships, the opportunities for going further than they already have are severely limited.

Korean shipbuilders are also showing interest in building more advanced ships. Hyundai last year delivered its first passenger vessel—actually a mixed container-passenger ship for a Norwegian line.

It has already built five refrigeration vessels and some liquid gas carrying ships but no liquefied natural gas vessels but Mr Hwang says the company has the ability to build such ships.

However Korean yards are trying to keep a balance between the need to attract orders and sensible levels of production investment given the small volume of orders for many types of specialist ship.

Shipbuilding companies tend to dismiss those who suggest that Korea will outstrip Japan over the next five years but there seems little doubt that Korea is committed to shipbuilding as a long-term industry.

Nick Gamett

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## SOUTH KOREA 10

## Social trends

RUMOUR in Seoul has it that there are more Mercedes cars in North Korea than in South Korea—but that by this measure, as in so many others, the South is about to surpass the North.

Moreover, economists in the South would argue that the Mercedes index has a different meaning in the two countries. In the North, it reflects the extent to which the authorities are rewarding themselves with perks. In the South, it reflects a rapidly expanding affluent middle class.

The emergence of a strong middle class is one of the most striking features of South Korea today. Foreign residents say they can detect by the month, if not by the week, increases in the number of cars on the roads and improvements in the way people dress.

The Government's surveys of social indicators yield less dramatic proofs of this, but they are still convincing. For example, in 1985, 53 per cent of the people considered themselves to be in the middle class compared with 41 per cent in 1980.

Food consumption as a proportion of private consumption spending has dropped from 54 per cent in 1971 to 44 per cent in 1985. Persons per car has dropped from 489 in 1971 to 74 in 1985. A perhaps more telling statistic is the decline in population growth, from 2.3 per cent in 1969 to 1.22 per cent last year. Most couples now have only one child.

Koreans are well placed to take advantage of their increasing affluence. Education has been a priority in the country ever since the Second World War, and the participation rate in post-secondary education is one of the highest in the world at over 90 per cent.

However, these new social patterns bring with them new concerns and problems. Social scientists in Korea wonder if affluence will take the edge off people's drive. What will be the effect of only-child families on social behaviour? Will there be enough jobs of the kind that college graduates will find attractive? Will the gap between rich and poor widen to an extent that causes resentment and social unrest? What impact will the growing middle class have on the politics of the country?

Many of these questions are still somewhat premature. Income in Korea is still relatively low. The average income of urban households in 1985 was just over won 500,000 (\$260) per month, and food, lodging and education remain the major concerns of most families.

The Government's recent audacious and arbitrary deci-

## The rise of the middle classes



Carving traditional Korean masks is one form of employment but the big growth has been in manufacturing industry.

sion to postpone constitutional reform for at least a year and outlaw debate was probably based on a shrewd assessment of the public mood. Some Western diplomatic observers believe that most Koreans are highly pleased with the growth in their living standards so far. Conscious of the country's sharply improved circumstances, they are confident that more is to come, and so they are not inclined to protest. At least not about politics.

Ironically, it is the growing upper middle class, composed of senior civil servants, industrial managers and profes-

sionals, who have so far proved the most prickly about political questions. In the 1985 National Assembly elections, only the constituencies in which these people live where voters had the temerity and the wit to find a way through the arcane electoral system to vote against the Government. But this group is not yet big enough to be really troublesome.

On the other hand, income distribution is becoming a sensitive issue among a wider section of the public. The country's dramatic industrial successes have made a few people spectacularly rich, and Korea is

still a small enough country that their affluent indulgences cannot be hidden.

According to Dr Hakchun Choo, a senior official in the Economic Planning Board (EPB), Koreans are very egalitarian people by nature, stemming from their long periods of poverty and subjugation to colonial powers. Thus, they will not tolerate the emergence of large differentials in incomes.

Dr Choo says Korea's income distribution curve (Lorenz curve) is relatively egalitarian compared with some countries, and says that Korea no longer has any abject poverty or starvation. Also, the curve has straightened slightly in the 1980s, meaning that the distribution has become less unequal. "That is what the figures show, but my feeling is that people's tolerance of the very rich is declining rapidly," he says.

However, he argues that wealth concentration is reaching a peak because of the success of a number of self-made men. As their fortunes are dispersed among inheritors, the concentration will ease and with it, he hopes, the growing resentment of the middle classes.

As for the question of Koreans' motivation, Dr Choo makes no bones about his concern. As he sees it, up to now Koreans have been highly motivated largely because of their poverty and what he calls their predicament—that is, being crowded together in a small country with no resources, little arable land and a substantial security threat.

Koreans have now substantially overcome both their poverty and, with the exception of the security threat, their predicament. They appear, however, to be running into the same problem of matching jobs with skills that plague many western countries.

In the immediate post war period, the country's emphasis on education was criticised for being beyond its means, but it is now recognised as having been a good thing. As in other developing countries, most of the top calibre graduates left the country, but the depth of the system meant that there were enough others to provide the competent management base for industry and government.

Now university graduates are less likely to leave the country, but the existing industrial structure is unable to absorb them all. The hope is that the new affluence will lead to a rapid development of the productive services sectors, such as finance and information technology, which needs large numbers of highly educated people.

Ian Rodger



Refrigerator motor assembly: pay is important but Korean workers like to think they are working with the next generation in mind.

## Labour management

## A modified Japanese model

"I THINK life is better here for us you know. It only takes me 15 minutes to drive to the golf course, not two or three hours. In Japan I would not have a car with a chauffeur."

Sitting in the back of his black Korean-made Ford Granada Mr Hong Sung-Eun, chairman of Lucky-Goldstar's central research establishment compares the lifestyle of the Korean corporate director with that of his Japanese counterpart.

Articulate and well travelled Mr Hong is one of the many top managers working for Korea's 30 or so debt-laden but voracious chaebols.

These are the big industrial and trading conglomerates at the heart of the country's economic explosion whose double digit growth rates have spawned a kind of mini-Japan.

Over lunch of spaghetti and veal at a continental restaurant in the busy, sprawling industrial town of Anyang where Goldstar houses its impressive R and D centre Mr Hong likes talking about cars.

As a wedding present he has recently bought his daughter a Pride, the new Mazda-designed mini car which Kia, the Korean van and truck builder has just started assembling as part of the country's booming car industry.

Now that Korea's car market is being partially liberalised his wife wants him to sell the family's Hyundai Stellar and buy a Volvo, despite the huge import duty that will make the car very expensive. "You know the Volvo is very safe. My wife likes that."

One of the paradoxes of Korea is that for a country whose industrial growth has been partly built on tenacious energy and hard work of Stakhanovite proportions many Korean managers remain relaxed, talkative and jovial unlike their often strained and tense Japanese competitors.

That might appear surprising. The chaebols are worried about their enormous debt burdens, vulnerable overdependence on the US market and their role as a whipping boy for allegedly being too overpowered and unwieldy.

But that bonhomie, mixed with a liberal dose of bluntness to the point of stropiness that seems ingrained in the Korean character partly explains something striking about Korea's production plants that are

powering Samsung, Hyundai, Daewoo and the rest onto the world stage.

On the face of it these factories look like clones of those in Japan upon whom Korea has modelled its growth. But in many ways they are very different.

Korea's factories certainly look very much like Japanese ones. They generally use Japanese production technology and Japanese workflow and stock control methods.

They also have some very similar labour management practices, including the extensive use of company housing which for non-married workers usually takes the form of dormitories (or barracks for those who do not like this type of set up).

Pohang Iron and Steel, for example is not unusual in having 10,000 of its employees living in company accommodation at its big east coast site.

Working regimes are as tough in the export leading industries like car making and electronics as they used to be in Japan before that country got soft and largely dropped Saturday shifts. Workers in vehicle building and electronics have enormously long hours—usually 12 hour shifts, six days a week. With two hours a day set aside for meals and two 10 minute breaks this adds up to a 90-hour week, usually with one or two hours a day at overtime rates.

At Samsung Electronics the largely female production workforce operates from around 8.30 am to 9 pm on the day shift though they finish much earlier on Saturdays.

This sometimes applies to white collar staff. Saehan Media, the world's biggest video tape manufacturer is opening a factory in Ireland and because of the work this is generating office staff, including secretaries, are often in until 10.30 pm.

The chaebols also use Japanese-style bonus payments usually worth between three and five times a month's salary during the year.

Pay for production workers in manufacturing usually ranges from around \$250 to \$500 a month, including bonus, though in some small textile companies pay might be as low as \$100. Executive directors in the big companies are paid around \$18,000 to \$22,000 a year. These figures do not look much to some western countries but Korean wages have come a long

way since the early 1970s. Yet in many other ways Korean companies are different. For one thing employees work hard but there is a slightly more diluted sense of commitment than what has served Japan for so long.

"If I say I am working these very long hours just for the benefit of the business, people will think I am crazy," says one Daewoo manager. "We like to think we are working for the next generation."

Changing jobs does not go on in the same way as in the West but labour movement is much more pronounced than in Japan. Textile companies in and around the southern city of Fusan have been complaining bitterly about losing workers to higher paying electronics companies.

There is also some poaching of managers, again often by electronics companies and those managers take on their new jobs at higher pay.

Among potential managerial staff there is faster promotion for high flyers than is characteristic of the dead man's shoes practice in Japan. Many Korean university graduates are still earning \$400 a month working in marketing or product development by the time they are in their early 30s. But some of the best graduates will have moved up quickly by their late 30s and it is not unusual to meet men like Mr Kang In-ku, an R and D director at Lucky-Goldstar in his 40s.

In a country like Korea where there is still a great deal of bowing at lift doors and deference to rank, these differences with Japan can be overexaggerated. But there is undoubtedly more potential areas for labour friction than there was when Japan was launching itself on the world. "I think one of the big issues that will govern how Korea performs in the future is labour," says Mr Bill Sloops of brokers Vickers de Costa in Seoul.

Japan has a widespread system of company unions with a reasonably well developed sense of consensus which helps to act as a safety valve. Korea appears to have neither.

Company unions are technically banned by law—organisation has to be based on individual production plants. However, Daewoo and Lucky-Goldstar each have a kind of

cross-plant union whose officials are elected by members. Hyundai and Samsung though remain virulently anti-union. As in most large Korean companies the latter two chaebols have a central committee, made up of senior managers and management-picked shopfloor representatives which meets monthly or weekly to discuss labour-related problems. It seems such committees though can include virtually no bargaining.

"If there is a problem it must be sorted out the day it comes before the committee," says Mr Sung-Hyuk Hwang, senior vice president for sales at Hyundai shipbuilding. "It is a company rule."

There have been some strikes. There was a 10-day affair at Daewoo Motor in 1985, a short coalminers' strike last year which resulted in the blocking of a railway line and some stoppages in textile factories. Taxi drivers in a section of Seoul staged a half day stoppage last month in protest at the level of fares.

There is some pressure for unions partly because many workers are aware that Korean pay has fallen behind that of Singapore and Taiwan. The Asian-American Free Labour Institute, affiliated to the AFL-CIO believes this will eventually result in the creation of labour organisations in Korea somewhere between western and Japanese-style unions.

The Government, which tightly controls the shape of Korean industry and plays a large part in setting wage levels has indicated that it might change tack and encourage the spread of Japanese-style unions. The Free Labour Institute says it is doing so to head off the formation of more adversarial-type labour organisations.

For the moment though no one believes that Korean labour organisation will change very much in the near future or that the country is in for a serious bout of shopfloor turbulence. "People are still working for fridges, televisions and maybe cars," says Mr Harry Kamberis of the Institute.

Mr Chung Se-Yung, Hyundai's new chairman puts it rather more graphically. "People are hungry for money," he says, shaping his fist into a claw. "You know like a cat with a mouse."

Nick Garnett

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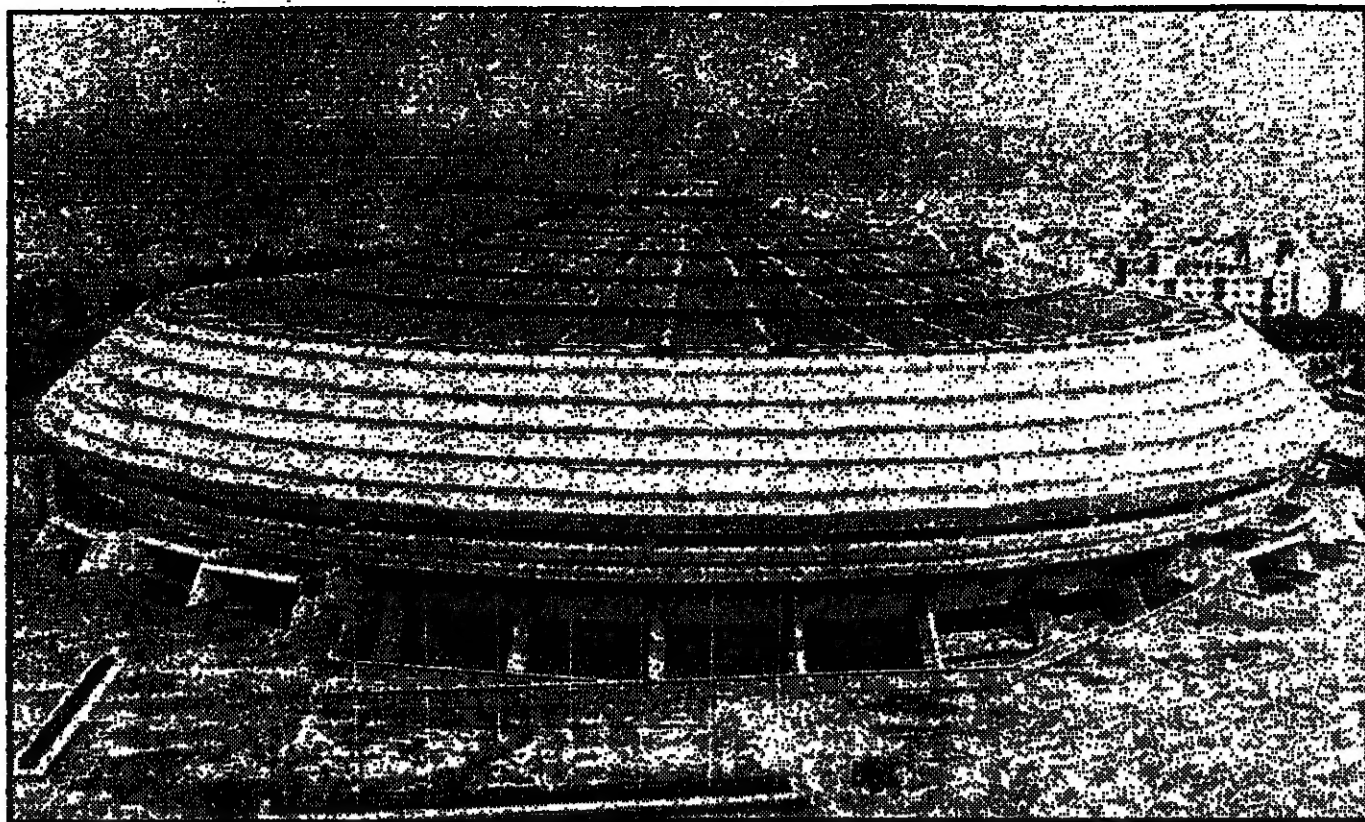


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## SOUTH KOREA 11



Seoul's new sports complex, main venue of the 1988 Asian Games and 1988 Olympics

## Exploring Seoul

## Peace and quiet to be found away from capital's crowds

AT FIRST glance, Seoul may remind you of some of the less attractive cities in eastern Europe. But although it suffered severe damage in the Korean War, interesting historical remains of the old city can still be found.

For the visitor, they have the advantage of offering peace and quiet away from jostling crowds and a chance to understand a culture which few in Europe know much about. Enormous attention to detail in landscaping and garden design make Seoul a more attractive place to visit in spring and autumn. The countryside, at times breathtakingly lovely and always a refreshing change from the city, is worth a visit, however, at most times of the year.

Day and weekend trips are easily made from the city, without the need for a car and driver or an interpreter. For those who enjoy walking or mountain climbing, the choice is enormous, but more gentle excursions are also plentiful.

Within the city walls, and close to downtown Seoul, Kyongbok Palace is an excellent way to begin exploring the history and culture of Korea. The palace is now completely hidden from view behind the Japanese-built old Capitol Building, now the National Museum, at the end of Sejong-ro.

Built as the main royal residence at the beginning of the Yi Dynasty, in the 1390s, the palace served as the axis of power for more than 200 years. It was then destroyed by the Hideyoshi invasion in 1592.

It was rebuilt in the late 16th century, and the formality of its layout and construction is said to be based on the same architectural principles as the Forbidden City in Beijing, and the Imperial Palace in Kyoto.

Although many buildings were destroyed to make way for the Capitol Building, many important structures remain, including the Kunjeon-jon, the palace's throne hall, which was the site of the coronations of eight of the early Yi Dynasty kings.

The National Folk Museum is at the rear of the grounds, and the National Museum is directly in front of the throne hall. Kyongbok Palace is open daily and the National Folk Museum daily (except Tuesday).

After the destruction of the Kyongbok Palace the kings of the Yi Dynasty moved to Changdok Palace which had originally been designated as an auxiliary palace. It is a short walk to the east along Yulgok-ro. This complex was almost continuously occupied for the next 300 years. It was here that the 27th, and last, king of the dynasty of more than 500 years lived as monarch. The grounds and buildings have been painstakingly restored.

The greatest attraction of Changdok Palace is the Piwon (or Secret Garden). This was laid out in the 15th century and greatly expanded. The 70 acres are a fine example of Korean landscape gardening, and well worth a visit especially in the Spring and Autumn. This royal retreat is only open to the public on a limited, guided tour, but conducted tours are in English and Japanese.

For those with a little more time to spare, the Korean Folk Village, about an hour to the south of Seoul is purpose built to give a flavour of a traditional rural Korean community. That flavour covers daily cultural shows, mock weddings and funerals as well as the more tangible flavours of Korean food and rice wine. Craftsman demonstrate their skills and the activities of the village alter to suit the season.

Various bus tours depart directly from Seoul, or else take the subway from City Hall to Suwon on one branch of the Number One line. Buses shuttle to and fro between Suwon station and the Folk Village.

Suwon City itself has many attractions for the visitor. In the late 18th century King Chongjo used to visit Suwon often to visit his father's grave. He had a plan to move the capital of the Chosun Kingdom from Seoul to the city, and began to upgrade Suwon's importance accordingly. Recent restoration has resurrected much of his engineering and fortification work, and it is now possible to see the city much as it was meant to be.

Once you have toured the walls of Suwon you may still have time to take the narrow gauge railway from the city north west to the historic port city of Incheon. The journey takes about an hour and a half.

Incheon is of interest to military buffs of the Korean War, as a site of the first foreign command in Korea and as one of the first treaty ports. General MacArthur and his historic landing which turned the tide of the Korean War, are commemorated in Freedom Park. MacArthur's statue is accompanied by a bust of Rear Admiral Shufeldt, who signed the treaty establishing diplomatic relations between the United States and the Chosun Kingdom, in 1882.

A wander along the wharf in Incheon gives a taste of this port city, with its enormous fish market and numerous seafood restaurants. Passenger ferries go from the wharf to outlying islands. Incheon connects to Seoul by a branch of the Number One subway line which passes through City Hall subway station.

A ferry from Incheon is one way to get to Kwangju island which lies to the north west of Seoul. It can also be reached by road as a bridge connects the island with the mainland. Aside from being extremely scenic, Kwangju is interesting due to its strategic location at the mouth of the Han and Injin Rivers.

It served as a royal refuge for kings escaping Mongolian and Manchurian invaders. The island has also been the site of many battles right up to the late 1800s as Korea fought to remain the "Hermit Kingdom". Those truly interested in the culture and history of Korea may like to phone the Royal Asiatic Society.

They have tours most weekends led by knowledgeable people, often members of the foreign community who have lived in Korea for many years. Royal Asiatic Society—Tel: 763 9433. Discovering Seoul by Donald N. Clark and James H. Grayson is an excellent, up to date, guide book of Seoul and its environs.

Finally for those with sporting interests, there are a number of physical pursuits easily accessible from Seoul, either midweek or at weekends.

Between approximately the last week in December and the middle of March there are several ski areas within an hour or so of Seoul. Chongmasan is an hour east of Seoul, and probably the most developed. There are three chair lifts and adequate equipment can be hired, although large size boots and skis over 190cms can be difficult to obtain. Blown snow ensures reasonable conditions.

Night skiing is possible and the slopes are of medium difficulty. A simple small hotel next to the slopes caters for those wanting to stay the night. The attraction of skiing in Korea is the generally sunny weather and lift queues are rare except on a Sunday afternoon.

The Olympics have led to the development of a huge number of facilities. In addition, the banks of the Han river have been the subject of a redevelopment project. To the east of Chongmasan on the south bank of the river, almost opposite the Sheraton Walker Hill Hotel, is the Seoul Marina Sailing Centre. This opened in April 1987. Dinghies and windsurfers can be hired on a daily basis.

When in and around Seoul, it is essential to have won as well as US dollars. Museums tend to have nominal entrance charges. It is also advisable to have your destinations and hotel name written in Hangul on separate pieces of paper. This will greatly ease communication problems if you get lost.

Alison Strugstad

## Shopping

## A paradise for the browser

SEOUL'S fashionable Itaewon is a street justly famous for the clothes, eelskin and leather goods, and the athletic shoes which abound there. It is a must for the first time visitor to Seoul.

It is here you find Pizza Hut and Baskin and Robbins ice-cream sandwiched between antique shops and trendy boutiques. English is widely spoken and prices are often quoted in US dollars, although Won can also be used.

In the evening the area transforms into its equally famous guise of bars, night clubs and jazz spots. Take a taxi to the Yongsan end of the street and wander along. There are more than a thousand shops and stalls to choose from.

Although the most obvious bargains are in casual clothes and shoes, worth noting are brass goods, especially bedsteads, which make very popular export items. Copper cookware is another unexpected bonus, and the patchwork quilts offer excellent value.

Bargaining is a dying art, but expect to be able to negotiate a discount if you buy more than one of a particular item. Not all Itaewon bargains fall into the cheap price range.

Jindo Furs and Woodung are almost opposite each other half way along the street. They sell top quality fur coats and other fur products for export only. The range in both shops is enormous, from racoon to sables with every kind of trim in the best quality fur. Any purchases are kept at Kimpo airport on departure.

Shops worth noting in Itaewon are Victory Town for casual clothes, Seoul Avenue for silks and custom made ski wear and Tannery East for leather jackets, etc.

A more collegiate atmosphere of trendy boutiques and excellent women's shoe shops can be found near Shinchon station at the gates to Ewha Women's University. A greater selection of shoe styles is found here and shoes will be copied.

Anything bigger than an English size 5 will almost certainly need to be custom made. This only takes a few days.

Accessory shops in the area are also excellent, and weary feet can be rested in the plentiful coffee shops. English is less predominant than in Itaewon, and prices will generally be quoted in Won.

The real bargain hunter must take off to the markets at either Namdaemun (South Gate) or Tongdaemun (East Gate). Any taxi driver will know them, and Namdaemun market is the most convenient for the downtown hotels. It is also rather smaller than Tongdaemun, and somewhat less intimidating!

Namdaemun sells everything including meat, vegetables, costume jewellery, clothes and magnificent flowers. Even if you

have no intention of buying, try to find the flower market on the third floor of one of the main grey buildings—it is fabulous.

Tongdaemun market specialises in fabric and clothes, but although if you hunt you can probably find almost anything there too. Do not wear expensive jewellery in either place, and do not go to these markets if you do not like being jostled. They are extremely busy especially at weekends.

Korean antiques and art are gaining greater recognition at home and abroad—this means that bargains are no longer what they once were. A trip to Insadong, or Mary's Alley, is a treat for any visitor. The street is a myriad of shops, covering all aspects of Korean art and crafts and not only the ubiquitous Korean chest.

There are ceramics, including celadon, masks, calligraphy brushes and inks, paintings both modern and traditional, books, kites and much more. The narrow street is a flash back to a quieter time in Seoul.

The shops are supplemented by a range of excellent restaurants. Most shops will arrange packing and shipment of goods bought. Be aware that certain items, especially those over 100 years old, may require special permission to be exported from Korea. The vendor should provide you with all the correct papers.

It is worth mentioning Tongin

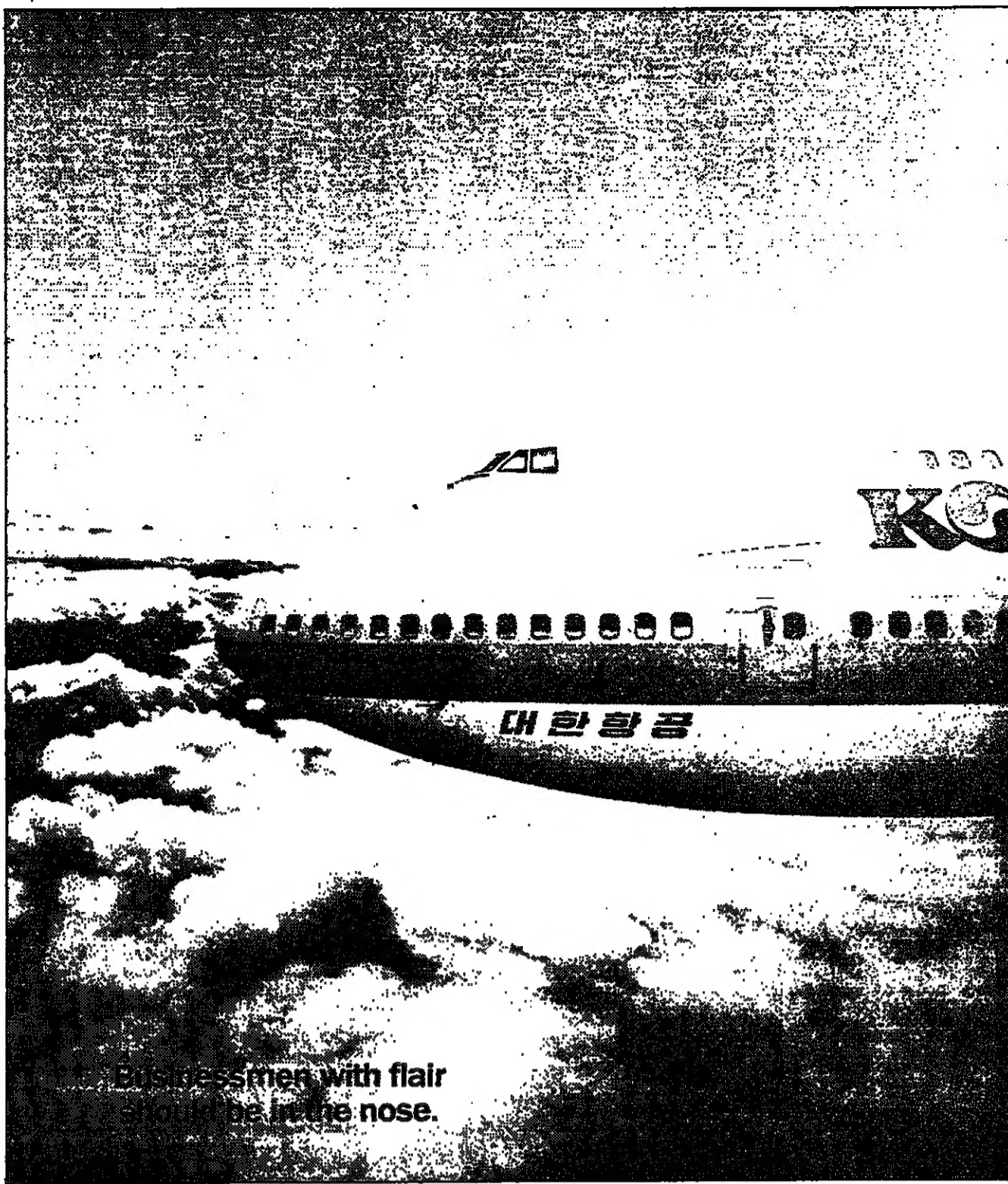
for its wide range of goods and Gold House Antiques. The Sanchon Vegetarian Restaurant is popular and has a cultural show in the evenings.

All the hotels have a variety of shops carrying jewellery, celadon, eelskin bags and wallets and other easily transportable items. While diamonds and other precious stones are not an especially good buy in Korea, the semi-precious amethyst and smoky topaz can be found set and unset in many locations.

Given a little time many of these jewellers will set pieces to your own design. The basement of the Lotte Hotel leads into Lotte First Avenue. This has a great selection of upmarket shops and boutiques. Sun and Moon Antiques are well worth a visit. They have an excellent selection. Unusual ceramic items, condiment dishes, and chopstick rests can be found elsewhere in the avenue.

The real explorer into the shopping possibilities of Seoul should buy Inside Seoul. This is stocked in most hotel bookshops and is an excellent guide to many areas and specific shops. As it is supplemented by maps detailing, for example, Itaewon and Tongdaemun market, it is a great help in finding exactly what you want. The book is widely used by foreign residents in Seoul.

Alison Strugstad



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## SOUTH KOREA 12

## Business guide

## What, when, where, and how, to do things

**Public holidays**  
Fixed dates: Jan 1, 2 and 3, March 1 (Independence Movement Day), April 5 (Arbour Day), May 5 (Children's Day), June 6 (Memorial Day), July 17 (Constitution Day), August 15 (Liberation Day), October 1 (Armed Forces Day), October 3 (National Foundation Day), October 9 (Hangul Korean Alphabet Day), October 24 (United Nations Day), Dec 25, March 10 is not an official holiday, but most places of business are closed.  
Variable dates: Buddha's Birthday, Chusok (Moon Festival Day). The three days of Chinese New Year are also widely observed by commerce and industry, though not official holidays.

**Trade fairs**  
Contact the Korean Exhibition Centre for information.

**Working hours**  
Sunday is the weekly closing day. Service establishments open as late as 2200, over weekends and on public holidays.

**Business**: Monday-Friday 0900-1200, 1300-1900; (Saturday 0900-1300).  
**Government**: Monday-Friday 0900-1200, 1300-1700; (Saturday 0900-1300).

**Banking**: Monday-Friday 0930-1630, (Saturday 0930-1300).

**Press**  
Dailies: There are 26 daily newspapers, including six national dailies with a circulation of more than 600,000 each and two English dailies—the Korea Herald and the Korea Times.

**Electricity supply**  
110 and 220V AC, with two-pin square plug fittings and screw-type lamp fittings (gradually switching to 220V AC).

**Weights and measures**  
Metric system used in commerce; local system also in use, especially relating to land and buildings (1pyong=35.6 sq ft, 1kwon=6.3lb, 1min=1.32lb).

**Telecommunications**  
Telephone: Dialling code for Republic of Korea, IDD access code + 82 followed by area code (Seoul 2; Pusan 5) followed by subscriber's number.

**Telex**: 24-hr public telex office at KTI (Korea National Telegram), 1 Chongno-ro, Chung-ku, Seoul. Telex facilities also available at major hotels.

**Telegrams**: Telegram service from post offices (0900-1730), with 24 hrs emergency service.

**Postal services**: Korean authorities sometimes exercise their right of censorship. Overseas mail should be sent via air mail.

**Useful telephone numbers**

Police 112  
Fire/ambulance 119  
Directory inquiries 114  
International calls 1035/1037  
Seoul customs 1035/1037

Korean surnames precede given names, and given names are never

used alone, except by intimates. The family names 'Kim', 'Lee' and 'Park' cover more than half the population, which can be confusing. Business associates are normally addressed by title (e.g. Director Kim or Manager Lee, etc.). Business entertaining usually takes place in restaurants and wives do not participate.

Business visitors should carry a good supply of business cards, which are exchanged on introduction. Use the right hand when giving or receiving. Outdoor shoes should never be worn inside a house.

There are certain areas, particularly near the demilitarised zone, where entry and photography are forbidden.

**Useful addresses**  
Association of Foreign Trading Agents of Korea (AFTAK), 45-14 Yoido-dong, Yungdang-po-ku, Seoul. Tel: 296672.

Bank of Korea, 110, 3-ka Namdaemun-ro, Chung-ku, Seoul. Tel: 7778611. Telex: 2232.

Economic Planning Board (EPB), Foreign Investment Promotion Division, 92-1 Sejong-ro, Chongro-ku, Seoul. Tel: 7203101.

Export-Import Bank of Korea, PO Box Central 4009, Seoul. Tel: 7783950/9.

Federation of Korean Industries, 28th Floor, Samilro Building, 10 Kwanchul-dong, Chongro-ku, Seoul. Tel: 7830821.

Japanese Chamber of Commerce, 111 Sokong-dong, Chung-ku, Seoul. Tel: 296672.

Korea Advertising Association, 145 Seoin-dong, Jongro-ku, Seoul. Korea Broadcasting Ethics Committee, 76, 1-ka Taepoong-ro, Chung-ku, Seoul.

Korea Chamber of Commerce and Industry (KCCCI), 111 Sokong-dong, Chung-ku, Seoul. Tel: 7773031/42.

Korean Broadcasting Association, 76, 1-ka Taepoong-ro, Seoul. Korean Exhibition Center, 65 Samsong-dong, Gangnam-ku, Seoul.

Korean Trade Promotion Corporation (KOTRA), PO Box Central 1621 10-1, 2-ka Hoehyun-dong, Chung-ku, Seoul. Tel: 7534181/9. Telex: 23859 KOTRA K, 27326 K. Cable: KOTRA SEUL.

Korea Traders' Association (KTA), World Trade Centre, Korea Building, 10-1, 2-ka Hoehyun-dong, Chung-ku, Seoul. Tel: 24265.

Ministry of Finance (MOF), 108-4, Samsong-dong, Chongro-ku, Seoul. Ministry of Trade and Industry (MTI), 77-6 Sejong-ro, Chongro-ku, Seoul.

Seoul Chamber of Commerce and Industry, PO Box Central 25, 111 Sokong-dong, Chung-ku, Seoul. Tel: 7778033.

Information taken from Asia and Pacific Review published by World of Information, 21 Gold Street, Saffron Walden, Essex, England.

**Time: GMT + 9hrs**  
Climate: Winters are dry and very cold with temperatures well below 0°C from Dec to Feb; summers are

hot and humid, with monsoon rains, tropical storms and occasional typhoons from June to Sept. Entry requirements: The regulations are liable to change at short notice and should be checked before departure.

**Passports**: Required by all except certain UN personnel and seamen. Visas: Not always necessary for non-business visits, provided onward tickets are held. For stays longer than 90 days, visas must be obtained in advance. Evidence of local means of support and a letter of invitation from a local business may be required.

Visas must be used within six months of date issued. Visas are also required for some internal travel, such as to Chongro Island. Health: Immunisation is not mandatory, but vaccination certificate for cholera advisable. Hepatitis is endemic.

**Currency**: It is illegal to import/export Won, which is not convertible outside Korea. Foreign currency is not restricted, but must be declared on arrival and departure. Exchange receipts should be retained.

**Customs**: Personal effects admitted free of duty. High-value items (cameras, watches, etc) should be recorded in passport to ensure re-export. Visitors may be liable for import duty and tax on items lost or stolen while in the country. Apply for customs clearance prior to importing an automobile. A certificate from the Cultural Properties Preservation Bureau is necessary for exporting antiques.

Permission for trade imports or exports must be obtained from the Ministry of Commerce and Industry or from authorised foreign exchange banks, and certain items may be restricted or prohibited (such as guns and cutlery).

Income tax: Visitors staying longer than 183 days are liable for tax (55-55% with no allowances) on assessed earned income and allowances arising both in Korea and overseas; a tax clearance certificate is required on departure.

**Air access**  
National airline: Korean Air. Other airlines: Air France, Ansett Airlines, Cathay Pacific, China Airlines, JAL, KLM, Kuwait Airways, Lufthansa, MAS, Northwest Orient, Pan Am, Saudia, Singapore Airlines, Thai International.

**International airports**: Gimpo International (SEL), 26 km from Seoul, duty-free shop, restaurant, bank, hotel reservations, car hire, shops; Kim Hae International (PUS), 27 km from Pusan; Chongro International (CJU), on Chongro Island.

**Surface access**  
Overland access is not practicable. Main ports: Pusan, Inchon, Masan, Ulsan.

Main towns  
Seoul (pop 9,204,344\* in Nov

1984), Pusan (pop 3,395,174\*), Taejeu (pop 1,958,812\*), Inchon (pop 1,220,311\*), Kwangju (pop 843,465\*), Taejeon (pop 800,000), Chonju (pop 410,000), Masan (pop 424,000), Ulsan (507,000), Pohang (pop 245,000), Yeosu (175,000). Transport

**Air**: Korean Air operates daily services between Seoul and Pusan, Taejeu, Chongju, Ulsan and Kwangju, with less frequent services to other centres. Expect to be searched for firearms when embarking on internal flights.

**Roads**: First-class highways link major centres. This network is under continual improvement but off the major routes roads are poor and unmetalled.

**Buses**: Several lines operate express intercity services along motorways. City buses, though cheap and convenient, are crowded. Payment is by token, and there are no English-language signs, timetables or conductors.

**Rail**: All main towns are linked by railway; notices and booking service at main stations often in English. Many trains have sleeping and dining cars.

**Underground**: Seoul and Pusan are both developing underground metropolitan transport systems. A subway system runs from the Seoul Railway station to Chongnyagi, NE of the city.

**Taxis**: Registered taxis carry meters and are clearly marked on the roof. Taxis are plentiful, and available at main stations or can be hailed. Call taxis are more comfortable than small taxis, but more expensive.

Standard fares for shorter distances, sharing is common and tipping is unusual. In Seoul and Pusan, light brown-coloured taxis are rated better, but are more expensive.

Taxi drivers suspend use of meters for journeys outside town, so negotiate the fare for such trips in advance. It is advisable to carry written instructions in Korean if possible.

There is still a curfew in coastal areas from 2400-0400, so taxis are more difficult to hire as midnight approaches.

**Car hire**: International driving licences are acceptable, but chauffeur-driven car hire is recommended in the main cities.

Pusans Young Nam Rent-A-Car, 78-22 Jungang-dong, 4-ka, Chung-ku, Tel: 44,400, 44-5000.

Seoul Avis Rent-A-Car, c/o Cosa Lieberman, 264-2, Hannam-dong, Yongsan-ku, Tel: 7981981. Telex: 23411.

Chung Ang Highway Lines, 167-18, Hwayang-dong, Tel: 4623811.

Herz Rent-A-Car, 76-24, Hannam-dong, Yongsan-ku, Tel: 7950801. Telex: 23533.

Korean Rent-A-Car, Tel: 7980801. Travel Information: Korea Automobile Association, 1, PO Box 2008, Seoul.

Korean National Tourism Corporation, 9/F Kukdong Building, 60-1, 3-ka Chungmu-ro, Chung-ku, Seoul. Tel: 2617001/6. Telex: 28555.

Korea Tourist Association, 9/F Kyongwun Bldg., 70, Kyongwun-dong, Chongro-ku, Seoul. Tel: 7242702.

**Hotels**  
Book hotels well in advance, especially in spring and autumn. Western-style hotels include a 10 per cent service charge in the bill.

Tipping is not usual, although it is on the increase in Western-style hotels. Main hotels accept major credit cards, but check when booking which ones are accepted for settlement of hotel bills.

Pusans: Pusan Tourist, 12 Tong Kwang-dong, 2-ka Chung-ku (tel: 23-4301; telex: 53657).

Commodore Dynasty, 743-80 Yungju-dong, Chung-ku (tel: 44-9101; telex: 53717).

Phoenix, 5-1 Nampo-dong, 2-ka Chung-ku (tel: 22-8061/9; telex: 53704).

Westin Chosun Beach, 737 Woo 1-dong, Haeundae-ku (tel: 72-7411; telex: 53718).

Seoul: Ambassador, 186-54 Changchung-dong, Chung-ku (tel: 261-1101, 269-8111; telex: 53269).

Garden, 169-1 Dowha-dong, Mapo-ku (tel: 713-9731/9, 713-9441; telex: 24742).

Hamilton, 119-25, Eitaiwon-dong, Yongsan-ku (tel: 794-0170/9; telex: 24491).

Hilton, 395, 5-ka, Namdaemun-ro, Chung-ku (tel: 753-7788; telex: 26895).

Hyatt, 747-7 Hannam-dong, Yongsan-ku (tel: 798-0061/9; telex: 24136).

King Sejong, 61-3, 2-ka, Chungmu-ro, Chung-ku (tel: 776-1811; telex: 27265).

Koreans, 61, 1-ka, Taepyeong-ro, Chung-ku 100 (tel: 720-5911/20; telex: 26241).

Lotte, 1 Sokong-dong, Chung-ku (tel: 771-10; telex: 23533).

Olympia, 108-2 Pyung Chang-dong, Chongro-ku (tel: 725-5121/5; telex: 23171).

Palace, 528 Banpo-dong, Kangnam-ku, 134 (tel: 532-0101, 532-5000; telex: 22657).

Plaza, 23, 2-ka, Taepyeong-ro, Chung-ku (tel: 711-22; telex: 24424).

President, 188-3 Eulchi-ro, 1-ka, Chung-ku (tel: 753-3131; telex: 27523).

Royal, 6, 1-ka, Myeong-dong, Chung-ku (tel: 771-45; telex: 27239).

Sheraton Walker Hill, 21 Kwangjang-dong, Sungdong-ku (tel: 444-8211; telex: 26517).

Shilla, 202, 2-ka, Jangchung-dong, Chung-ku (tel: 233-3131; telex: 24160).

Westin Chosun, 87 Sokong-dong, Chung-ku (tel: 771-05; telex: 24266).



Craft work is alive and well in rapidly modernising Korea. An artist at a cultural village near Seoul.

## Medicare for travellers

## Pain threshold kept low

A SLIP on an icy or wet pavement causes a broken bone or a cut needing stitches. Far from home, it's a worry for any business traveller, even if insurance will cover the cost of treatment.

In many countries the level of medical expertise leaves a lot to be desired, but a minor accident hardly requires repatriation home, disrupting one's business trip and incurring more costs.

In Seoul the afflicted traveller need not fear if this correspondent's experience is any guide. A broken finger was the problem, incurred after a fall on a wet, slippery footpath.

A trip to the international clinic at the Severance hospital in Seoul was the answer.

The hospital, well known to taxi drivers, is attached to Yonsei University as a teaching institution. Its international clinic treats most foreigners resident in Seoul. On arrival at the second floor office (follow the signs from the main entrance) you will be assigned a personal file and an English-speaking nurse.

She will pilot you around the building, in my case from doctor to X-ray department, to plaster cast department and eventually to the cashier.

On arrival without an appointment, waiting time before seeing a doctor was a surprisingly low 45 minutes. Subsequent appointments were on

time. Although the hospital corridors are thronged with patients and their families, the procedure seems to work remarkably smoothly. Like Seoul traffic, it remains on the move, without anyone quite understanding how.

An atmosphere of cheerfulness and courtesy pervades the hospital, perhaps because of Koreans' legendary toughness and ability to survive. Be prepared for a straightforward approach from the doctor—his English may not be quite up to an English style bedside manner as far as gentle treatment goes. However, I felt no pain.

Finally, the financial damage. Two consultations with the doctor, two sets of X-rays, some

dressings and medicine to reduce swelling came to a total of 50,000 won (£36), not an unreasonable amount.

One thing defeated the hospital. On the injured finger I was wearing two rings at the time of my accident. My finger was so inflamed they could not be removed. After much head scratching, the doctor could only suggest that I went to a jeweller to have them cut off.

Somewhat apprehensively, I did so. A young man expertly and gently snipped them off, and insisted on soldering them back together again, at no charge.

Maggie Ford

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## THE HYUNDAI STORY

In 1975 the first Hyundai car rolled off the assembly line. Now, twelve years later, a new highly automated plant is in operation with a production capability of up to 750,000 units a year for export to over 60 countries.

Hyundai has a reputation for exceptional motoring value. In Canada, after only 3 years, Hyundai has proved to be one of the favored cars. And last year opening sales in the U.S. substantially broke all expected goals.

When the Hyundai Stellar was launched in the UK in 1983, the Financial Times called it 'The bargain of this half century'.

And the Pony 5-door is still giving the competition a run, for considerably less money. Small wonder Hyundai is known as the rising car company.

However, the Hyundai name is not only a star in the auto industry, but is expertly involved in almost any other industry you can think of.

Offshore around the world, Hyundai oil rigs pump the rich resources of the North Sea, the Persian Gulf and the Gulf of Mexico.

Since 1974 Hyundai yards have built over 200 ships including cargo and container ships, tankers and super tankers for countries from Brazil to Sweden.

The Hyundai crest can be found on buses, trucks, materials handling equipment and even on lifeboats.

Hyundai railways and bridges are establishing new transportation and communication links in remote parts of Africa and the Far East.

Hyundai housing, hospitals and schools continue to improve living standards in many third world countries. In Korea 'Hyundai' rhymes with 'Sunday' means modern. For the world it spells prosperity.

**HYUNDAI**

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